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Lopez squeezes suppliers
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Nintendo and Sega
Game boys go to war
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Survey
● UK new towns
Section III

FINANCIAL TIMES

Europe's Business Newspaper THURSDAY OCTOBER 1 1992 D8523A

ICI asset swap deal with Du Pont given go-ahead

The European Commission approved the planned swap of chemical assets by Du Pont of the US and ICI of the UK, but imposed strict and detailed conditions.

A deal put together by Sir Leon Brittan, EC competition commissioner, forces Du Pont to transfer 12,000 tonnes of ICI's nylon carpet fibre capacity to a competitor. Page 21; Lex, Page 20

EC given ultimatum: The US has given the EC until noon today to agree to binding arbitration on its oilseed subsidy regime, twice condemned by a Gatt panel as contrary to its rules. Page 20

Collor stands firm: Brazil's President Fernando Collor will not resign, his spokesman said, in spite of his crushing defeat in a congressional vote opening the way to an impeachment trial in the Senate. Page 20

Bank faces BCCI criticism: The Bank of England is expected to be severely criticised today in a US Senate report on the BCCI scandal. Senator John Kerry has spent four years investigating BCCI. Page 20

Croats halt march: An appeal by a Russian UN officer halted a march by 1,000 Croatian refugees trying to return to their former homes in Serb-held territory in eastern Croatia. The march would have led to clashes. Page 4

Personal communicator set for launch

An international consortium including AT&T, the US telecommunications group, and Matsushita of Japan, the world's leading consumer electronics company, is set to win the race to launch the world's first "personal communicator" – a combined pocket telephone and personal computer (left). Development work is complete and the first of the devices is expected to be announced by the end of the year. The first units will probably cost about $1,000. Page 20

Pirates attack tanker: Pirates armed with automatic weapons attacked a tanker in the South China Sea, north west of Luzon in the Philippines, Lloyd's shipping said. The World Bridge managed to evade them after speeding up.

Rover, the UK car maker and a subsidiary of British Aerospace, is imposing a 6-month pay freeze on its 34,000-strong workforce, including directors and senior managers. Page 13

Kurdish clash: More than 160 people were killed in a battle between Kurdish separatists and Turkish troops near the Iraq-Turkey border. It was the bloodiest fighting since Kurds launched a guerrilla campaign for independence in 1984.

Russia begins sell-off: The world's biggest privatisation, the sale of nearly 70 per cent of Russia's productive capacity, begins today with the first issue of Rbs10,000 vouchers to the country's 150m men, women and children. Page 4

Suez, the French financial and industrial group, warned that first-half profits would fall below expectations this year because of the impact of the fragile French property market on Indosuez and La Hénin, its banking subsidiaries. Page 21

Shooting condemned: An independent inquiry into South Africa's Bisho massacre condemned Ciskei black homeland soldiers for indiscriminately killing 29 African National Congress supporters and wounding hundreds more. Page 6

Hughes Communications International of the US, part of General Motors, won a $258m Arab satellite contract. The decision is a blow to the two losers, British Aerospace and Aérospatiale of France. Page 8

Eurotunnel won an important victory over contractors building the Channel tunnel after independent arbitrators ruled that it did not have to continue paying an extra £50m ($89m) a month to the construction companies to cover increased building costs. Page 21

Tajik airport seized: Russian troops seized control of the airport in Dushanbe, capital of war-torn Tajikistan, and shooting was reported around the city.

Industrial Equity, part of the Adsteam group formerly controlled by John Spalvins, deferred the A$2bn ($1.43bn) flotation of its Woolworths retailing subsidiary following the recent failure of Westpac Banking Corp's A$1.2bn right issue. Page 21

■ STOCK MARKET INDICES

FT-SE 100:	2,553.8	(-12.5)
Yield	4.71	
FT-SE Eurotrack 100	1,083.44	(-6.54)
FT-A All-Share	1,206.16	(-0.4%)
Nikkei	17,289.88	(-349.01)
New York: lunchtime		
Dow Jones Ind Ave	3,287.88	(+1.08)
S&P Composite	417.41	(+0.61)

■ US LUNCHTIME RATES

Federal Funds:	3⅛%
3-mo Treas Bills: Yld	2.725%
Long Bond	98 15/32
Yield	7.306%

■ LONDON MONEY

3-mo interbank	9 1/16%	(8 15/16%)
Liffe long gilt future:	Dec 97¼	(Dec 97 15/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$20.3	(20.325)

■ Gold

New York Comex (Oct)	$347.8	(348.2)
London	$348.85	(348.15)

■ STERLING

New York lunchtime:		
$	1.7755	
London:		
$	1.7815	(1.7596)
DM	2.5175	(2.52)
FFr	8.52	(same)
SFr	2.2	(2.2025)
Y	213.75	(211.75)
£ Index	83.7	(same)

■ DOLLAR

New York lunchtime:		
DM	1.41895	
FFr	4.7995	
SFr	1.2393	
Y	120.15	
London:		
DM	1.4136	(1.424)
FFr	4.7825	(4.815)
SFr	1.2365	(1.245)
Y	118.95	(119.65)
$ Index	60.1	(60.3)

Tokyo close Y 119.25

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.60	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50		
Finland	FM12	Korea	Won 2800	Philippines	Pso45	Tunisia	Din1.250		
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00		

UK and Germany in new row over devaluation of sterling

Statement by Bundesbank president angers Treasury

By Peter Norman, Economics Correspondent, in London

BRITAIN AND GERMANY were last night embroiled in an extraordinary diplomatic row after an apparent attempt by the Bundesbank to set the record straight over its role in sterling's devaluation misfired.

A statement by Mr Helmut Schlesinger, the Bundesbank president, which was made available to the Financial Times through the German Embassy in London, brought relations between the UK Treasury and the German central bank to a new low.

In his statement, Mr Schlesinger insisted that he had not undermined sterling in the controversial interview he gave to Handelsblatt, the German business daily, in the week that the pound was forced to quit the European exchange rate mechanism.

'The UK monetary authorities seem to have been prepared to allow sterling to fall to its lower intervention level'
The Schlesinger paper to the Foreign Office

He also:

● Rebutted UK suggestions that the Bundesbank had failed to give sterling sufficient support in foreign exchange market operations before it floated;

● Revealed that the Bundesbank had spent DM44bn ($29.5bn) on defending the pound and lira and that most of that had gone to support sterling;

● Denied that the Bundesbank had favoured the French franc over the pound during the recent turmoil on the currency markets;

● Insisted that the Bundesbank could not be blamed for what it described as anonymous statements and rumours in the markets and inaccurate reproduction of the central bank's statements by newspapers.

Last night the Treasury attacked the German disclosures as a breach of confidential communications between the German and UK governments.

It also said that Mr Schlesinger, in his remarks about the interview, "misses the point". It accused the German Embassy in London of having issued on behalf of the Bundesbank "an almost complete version" of a confidential paper which the German ambassador had delivered to the Foreign Office on Monday.

The Bank of England said it did "not entirely recognise" the German version of events leading to the sterling crisis as set out in the four-page document from the Bundesbank, the release of which it "very much regretted".

Contacted in his office in Frankfurt last night, Mr Schlesinger appeared dismayed by the latest events. The Bundesbank had hoped to clear the air, he said. "We have a right and a duty to make our standpoint clear." Despite the intensification of the Anglo-German row, he said he hoped "all sides could return to orderly and businesslike relationships".

Yesterday's abrupt escalation in the Anglo-German row over events surrounding sterling's withdrawal from the ERM brought to a head an increasingly bitter dispute between the UK Treasury and the Bundesbank.

It began when the German Embassy in London contacted the Financial Times yesterday to offer a statement from the Bundesbank in which Mr Schlesinger put his side of the sterling devaluation story. The statement had been supplied to the embassy by the German central bank and the embassy said it was given discretion on how it should be distributed.

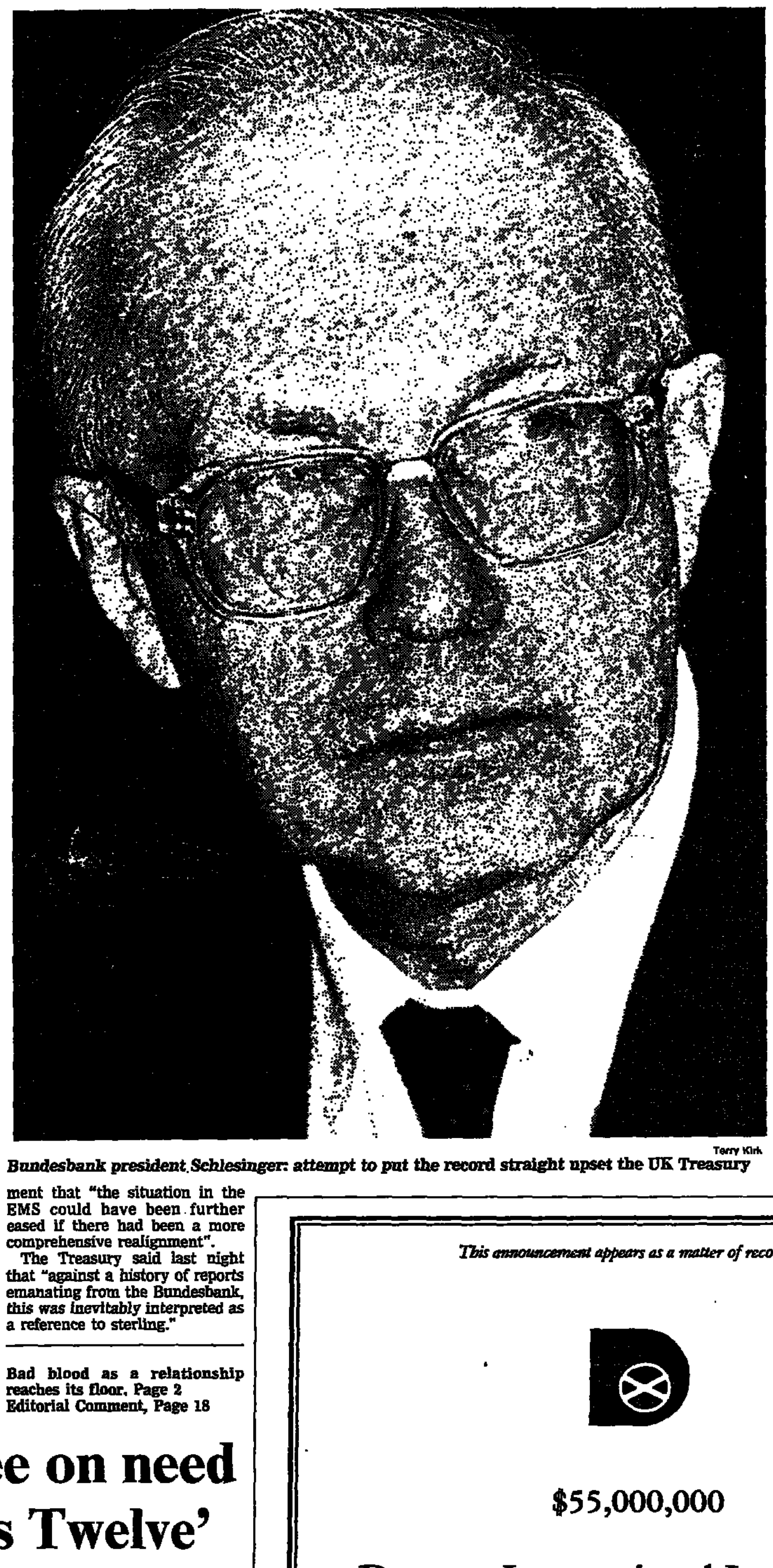
The statement was checked with the Bundesbank in Frankfurt. Then, with the knowledge of the German embassy in London, the UK Treasury and the Bank of England were contacted for their comments.

In his statement, entitled "Comments by Bundesbank President Prof. Dr Helmut Schlesinger on reproaches made by some members of the British government", Mr Schlesinger said he had "expressly excluded the UK currency from being endangered" in his interview with Handelsblatt.

'We regret very much that the Bundesbank issued this statement. We do not entirely recognise this version of events. Moreover we believe that dialogue between central banks should take place in private'
The Bank of England yesterday

However, the UK Treasury said the problems for sterling arose not from the reports published on September 17, but from what had been published on September 16 and in early reports of Mr Schlesinger's interview which had begun to circulate on September 15. Among remarks attributed to Mr Schlesinger was the statement that "the situation in the EMS could have been further eased if there had been a more comprehensive realignment".

The Treasury said last night that "against a history of reports emanating from the Bundesbank, this was inevitably interpreted as a reference to sterling."



Terry Kirk
Bundesbank president Schlesinger: attempt to put the record straight upset the UK Treasury

Bad blood as a relationship reaches its floor, Page 2
Editorial Comment, Page 18

Sterling and lira under new pressure

By James Blitz, Economics Staff, in London

BOTH the Italian lira and sterling came under renewed pressure against the D-Mark yesterday as tensions continued to dominate currency trading both inside and outside the European exchange rate mechanism.

The lira, which was suspended from the ERM two weeks ago, suffered a 5.8 per cent fall against the D-Mark after investors became increasingly concerned that the Bank of Italy would reintroduce exchange controls.

The widespread rumour that Italy was planning a partial freeze on bank accounts was repeatedly denied by officials in the Italian government and the Bank of Italy. But this could not stop the lira falling to a low point of L900 from a previous close in Europe of L847.6. The currency later recovered to close in London at L876. However, the markets remain concerned that the Italian government's emergency budget may have a difficult passage through parliament.

The lira's problems triggered another fall for sterling, which briefly touched a historic low of DM2.50 against the D-Mark in European trading yesterday. Investors recalled that the last big run on the lira a fortnight ago had been followed a day later by sterling's devaluation. The pound later rebounded to close in London at DM2.5175, ¼ of a pfennig down on the day.

Sterling's weakness was partly compounded by another fall in the dollar's value against the D-Mark. Investors are concerned that the US non-farm payroll figure for August, due to be released tomorrow, will be very weak. The figure, which is regarded as the most important indicator of the health of the US economy, may trigger another cut in the US discount rate, widening the differential between US and German interest rates.

The dollar yesterday closed in Europe at DM1.4135, after hitting a low of DM1.4040.

The D-Mark's renewed strength created another rise of tension inside the ERM. The Spanish peseta weakened to close at Pta70.17 to the D-Mark, close to its floor of Pta72.62.

Currencies, Page 38

UK and France agree on need for EC to advance 'as Twelve'

By David Buchan in Paris and Alison Smith in London

UK prime minister John Major and French president François Mitterrand agreed yesterday on the need for EC states to advance "as Twelve" to ratify the Maastricht treaty.

After a 90-minute talk at the French presidential palace Major said the French president showed "no impatience, but a lot of understanding and agreement" with him on the difficulty of pushing Maastricht treaty on European union rapidly through a UK parliament, which is divided on the issue.

A joint statement issued by the two leaders indicated that Mr Mitterrand is, for the moment, more anxious to help than to pressure Mr Major on the treaty's ratification.

The two leaders "stressed the importance of the Community developing as Twelve and respecting the interests of each member state", the statement said. "In this context, they looked forward to the ratification and entry into force of the Maastricht treaty."

The absence of any mention of timing on ratification will be helpful to Mr Major, as well as to his Downing Street dinner guest last night, Prime Minister Poul Schlüter of Denmark.

Before meeting Mr Major, Mr Schlüter called for a "new basis" for the Maastricht treaty as a condition for a new referendum in Denmark next year. He said he saw "common ground" with other EC countries on the need for more openness and less bureaucracy in EC decision making. On the question of when the new referendum might be held, he said: "Whether it is May, June or September [next year] – it's a bit too early to say."

After assurances from Mr Mitterrand that France and Germany were not hatching a fast-track move to a restricted economic and monetary union, excluding the UK and other weaker EC economies, Mr Major said: "I don't think any of us want to see what is loosely called a two-speed Europe."

After Mr Major congratulated Mr Mitterrand on the outcome of the French referendum, the two men agreed that "the debate in France and elsewhere about the Maastricht treaty had revealed public concern about the need to build a Community which respected national identity and to

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Proposal moves Europe closer to single haulage market, Page 3
French budget seeks to stave off pressure against franc, Page 3
Brussels hopes to double EC research spending, Page 3

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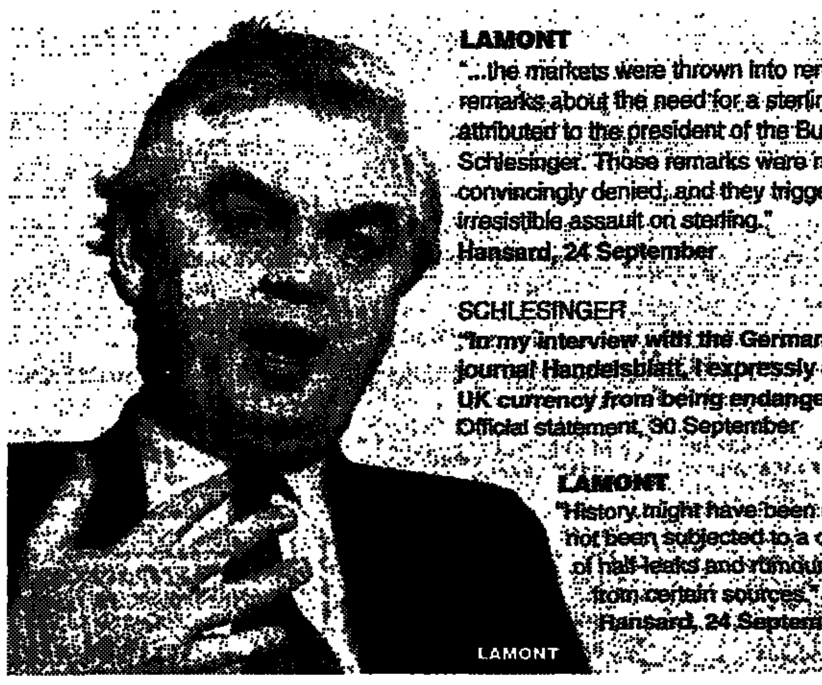
Bad blood as a relationship hits its floor

By Peter Norman, Economics Correspondent

What they said



LAMONT

LAMONT
"...the markets were thrown into renewed turmoil by remarks about the need for a sterling devaluation attributed to the president of the Bundesbank, Dr Schlesinger. Those remarks were never convincingly denied, and they triggered the final, irresistible assault on sterling."
Hansard, 24 September

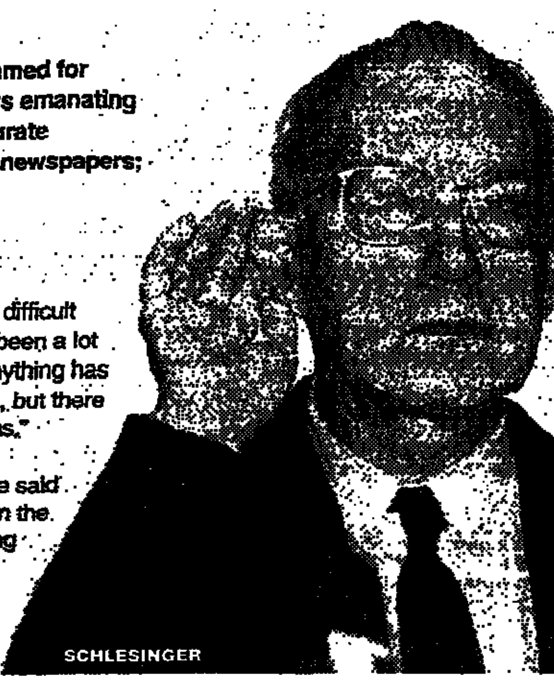
SCHLESINGER
"In my interview with the German economic journal Handelsblatt, I expressly excluded the UK currency from being endangered."
Official statement, 30 September

LAMONT
"History might have been different had we not been subjected to a constant stream of half-leaks and rumours emanating from certain sources."
Hansard, 24 September

SCHLESINGER
"The Bundesbank cannot be blamed for anonymous statements, rumours emanating from market participants, inaccurate reproductions of statements by newspapers; I reject all such statements."
Official statement, 30 September

LAMONT
"Obviously some harsh things and difficult things have been said - there has been a lot of controversy, and I am sorry if anything has been said that greatly upsets them, but there have been some issues between us."

"I stand by every single word I have said about the role of the Bundesbank in the events leading up to our suspending of membership of the ERM..."
Statements to the press, 28 September



SCHLESINGER

AS the Bundesbank launched its latest fusillade in the war of words between Britain and Germany, it was difficult to recall the two countries were until recently seen as natural allies in European economic and monetary affairs.

Germany was keen to see Britain become a full member of the European Monetary System throughout the 11 years until October 1990 in which the Tory government refused to join the European exchange rate mechanism. Bonn and Frankfurt have long regarded the UK as an ally in spreading free market ideals in the EC and as a supporter of the single market.

Britain was often seen by senior German officials as a healthy counterweight to French *dirigisme* in Europe. Both the UK Treasury and Bundesbank are Eurosceptics on the question of European Monetary Union.

So, more in sorrow than anger, officials in both countries have watched the steady rise of bad blood between the two sides since the start of September. The worsening of relations centres on two men, each of whom feels aggrieved at how the other has acted.

From the start, Mr Norman Lamont, Britain's chancellor, has been forthright in condemning what he sees as Bundesbank intransigence in refusing to lower interest rates sufficiently and unhelpfulness in making remarks that helped to weaken sterling in the run-up to Black Wednesday.

Criticism has also surfaced in Britain of the Bundesbank's supposed failure to support the pound with the same vigour it showed last week in supporting the franc.

Mr Helmut Schlesinger, Bundesbank president, has been less voluble. But, while staying controlled and courteous, he has never hesitated to put his side of a story when he has felt unjustly assailed. Yesterday, he clearly felt he had to set the record straight, although he appears to have been surprised at the way the German embassy in London released his remarks.

The row between Mr Schlesinger and the chancellor began with the informal meeting of EC economics and finance ministers in Bath on September 5. Then, tempers rose as Mr Lamont repeatedly demanded the Bundesbank cut its interest rates immediately.

As *primus inter pares* on the central bank council, Mr Schlesinger could make no such pledge. After the chancellor had put the same demand four times, Mr Schlesinger was only held back from walking out when Mr Theo Waigel, German finance minister, asked Mr Lamont to stop his attacks.

Harsh words are often said in international meetings. But Mr Schlesinger's discomfiture was followed by public attacks for which he was clearly unprepared. The Bundesbank president, who in Germany is a revered figure because of his position and the central bank's reputation as the guardian of German price stability, found himself vilified by sections of the UK press. It is understood he was especially upset by articles linking the Bundesbank with Germany's Nazi past. He resented the way certain journalists phoned him at home and harassed his wife.

On his recent visit to Washington for the annual meetings of the International Monetary Fund and World Bank, Mr Schlesinger appeared shaken by the treatment he had received. He told friends he had never experienced anything like the attacks on him in the UK tabloids.

But yesterday's statement from Mr Schlesinger was more than letting off steam. It was meant to clear the air and put on record the Bundesbank's recollection of events surrounding Black Wednesday.

As such, it contains some important claims going beyond Mr Schlesinger's bid to clarify what he said in the disputed September 17 interview with Handelsblatt, the German newspaper, which the UK believes fatally undermined sterling. The statement asserts the Bundesbank "treated the pound sterling and French franc alike in all respects" and the compulsory D-Mark sales in favour of sterling, which the Bundesbank financed, were "the largest compulsory interventions ever undertaken vis-a-vis a partner currency".

These comments contradict the impression relayed in the UK media last week that the Bundesbank showed less enthusiasm for the battle to save sterling than in last week's defence of the franc.

Also new was the disclosure that the Bundesbank bought sterling between the ERM margins during the operation to keep it in the ERM.

Some parts of the Bundesbank statement portrayed Frankfurt's contribution to sterling's defence in an especially favourable light, as, for example, when the German central bank appeared to take credit for the UK Treasury borrowing of Ecu10bn of foreign currency early in September. It also does not make clear that the Bundesbank did not support sterling for free and some of the D-Mark sales appear to have been carried out on behalf of the Bank of England. This means the German central bank expects the UK will pay back the credits effectively granted during the support operations in the ERM.

This accumulation of liabilities by the UK seems to have upset some British officials. But Bundesbank officials insisted the rules applying in Britain's case are identical to those that will apply to Italy and France. From its inception, the EMS has exerted a harsh discipline on weak currency members.

■ The German central bank chief states his case ■ Then the UK Treasury again joins the fray

Schlesinger rebuts British criticism

THE following statement was released yesterday morning by the German embassy in London:

Comments by Bundesbank president Professor Dr Helmut Schlesinger on reproaches made by some members of the British government.

1. Alleged indiscretions on the part of the Bundesbank. In my interview with the German economic journal Handelsblatt, I expressly excluded the UK currency from being endangered.

(The interview is reproduced in detail in the Handelsblatt of September 17, 1992: "Schlesinger does not consider the situation of other currencies to be so critical.

"He mentions the pound sterling, which has been under particularly heavy pressure during the past few days. After all, he says, the British have monetary reserves to enable them to defend sterling. Their situation is not comparable to that of Italy. 'It seems to me that the EMS has strengthened following the measures taken last weekend'.")

I would also draw attention to the fact that my colleague Dr Hans Tietmeyer expressly supported the pound in public statements.

Speaking to BBC Radio 4, Dr Tietmeyer said on September 14, 1992:

Question: "Do you consider a realignment of sterling to be necessary at present? Sterling is still the sick man of the EMS."

Answer: "No. The British have already decided to defend the exchange rate, and have taken the appropriate measures to that end."

(See also the identical Reuters reports of the same date.)

The Bundesbank cannot be blamed for anonymous statements, rumours emanating from market participants, inaccurate reproductions of statements by newspapers; I reject all such statements.

2. The charge of lack of support for sterling in the foreign exchange market by the Bundesbank.

With regard to support operations in the foreign exchange market, the Bundesbank treated the pound sterling and the French franc alike in all respects. In this context, I may give you the following supplementary information:

- The Bundesbank agreed to sizeable credit tranches denominated in D-Marks as part of the borrowing operations by the UK Treasury.
- Moreover, it granted the Bank of England a swap credit and also agreed to prolong this swap arrangement.
- The Bundesbank invariably agreed, as required under the EMS agreement, to intramarginal D-Mark sales by the Bank of England, and also bought sterling intramarginally in the market itself. The Bank of England did not ask the Bundesbank to take any measures going beyond this.
- After the UK currency had reached its lower intervention point, the Bundesbank financed the requisite compulsory interventions in full. The total amount of compulsory D-Mark sales in support of EMS currencies during the week in which sterling and the Italian lira temporarily left the system came to over DM44bn, the greater part of which was accounted for by interventions vis-a-vis sterling. The compulsory D-Mark sales in favour of sterling which we financed constitute by far the largest compulsory interventions ever undertaken vis-a-vis a partner currency.

With respect to the support granted to sterling, the instruments used were just the same as in the case of the support accorded to the French franc, with the exception of the compulsory D-Mark sales, which did not take place, because the French franc failed to reach the lower intervention point.

The high level of intervention in favour of sterling was primarily due to the fact that the UK monetary authorities seem to have been prepared to allow sterling to fall to its lower intervention point. The Banque de France, by contrast, concentrated on keeping the franc rate above its intervention point by means of intramarginal interventions.

The Bundesbank drew the logical consequences for its own monetary policy from the realignment in the EMS, and adjusted German central bank rates downwards as early as September 14, 1992. Already on the occasion of its interest rate decisions of last July, the Bundesbank took care not to raise its internationally relevant interest rate (the Lombard rate).

Since that time, interest rates in the German money market have fallen by over one-half of a percentage point.

The measures designed to reduce tensions in the EMS include, pursuant to the EMS agreement, not only intramarginal interventions and interest rate changes but also the realignment of exchange rates.

The Bundesbank applied to the federal government on September 11 for negotiations on such a realignment among the group of EMS partners; the federal government complied with this request by initiating negotiations.

The outcome is well-known; it was the devaluation of but a single currency, namely the Italian lira, even though, judging by the divergence indicator of the EMS, sterling had overstepped the "warning mark" of minus 75 already in mid-August.

Defence of Lamont version of events

THIS statement was released by the British Treasury yesterday afternoon in a prompt response to the document which was released by the German embassy in London.

On Monday, the German Ambassador called on the Permanent Under Secretary to the Foreign and Commonwealth Office and handed over a paper sent to him personally by the Bundesbank President Dr Schlesinger. The paper sought to rebut allegations over the Bundesbank's recent conduct in relation to sterling. The Ambassador asked that the paper be considered confidential. Earlier today and without warning, the German Embassy, on behalf of the Bundesbank, made available an almost complete version of the paper.

The first point Dr Schlesinger makes is that in his interview with Handelsblatt, published on Thursday 17 September, he was supportive of sterling's position.

However, this misses the point. By 17 September, sterling had been forced out of the ERM. The problem arose not from the reports published on 17 September, but from what was published on the morning of 16 September, early reports of which began to circulate on the evening of 15 September.

This earlier version said: "In an interview with the Handelsblatt and Wall Street Journal, (Dr Schlesinger) conceded that the problems had not been completely solved by the measures so far.

"The situation in the EMS could have been further eased if there had been a more comprehensive realignment." Against a history of reports emanating from the Bundesbank, this was inevitably interpreted as a reference to sterling.

On learning of these reports, the UK authorities asked Dr Schlesinger if these reports were true, and, if they were not, whether he would issue a clear denial.

Eventually, and after sterling had fallen outside its ERM bands in New York trading, the Bundesbank issued a statement saying: "The text was not authorised. He did not say that, and it was not what he intended to say." The markets and the media did not find this a convincing denial with very damaging effects for sterling. Had the version eventually published on 17 September been issued instead, events may have turned out differently.

Later in the paper, Dr Schlesinger claims that the Bundesbank undertook substantial intervention in support of sterling.

The UK Government has never claimed that the Bundesbank did not comply with its technical obligations under the ERM.

We have simply noted the very public way in which statements of support for the franc were made, in contrast to the undermining statements made in relation to sterling.

Finally the paper implies that the Bundesbank sought a realignment of several currencies on the weekend of 11/12 September.

No request was made by the German authorities to the UK on that weekend that it too should realign.

Central bankers wounded by words

By Andrew Fisher in Frankfurt

CENTRAL bankers are not normally thought of as sensitive souls, but the Bundesbank's reaction to the onslaught of political and press criticism it has received over sterling's floating devaluation shows it can be upset by words as well as deeds.

Yesterday, in a highly unusual step, the German central bank's four-page defence of its statements and actions was released to UK newspapers through the German embassy in London.

Although Mr Helmut Schlesinger, the Bundesbank's president, will have another chance to put his and the bank's case when he holds a press conference tomorrow after the regular council meeting, he is unlikely to unveil any surprises.

Despite some speculation about possible cuts in interest rates, the general expectation is that the Bundesbank will leave them unchanged. It lowered its Lombard rate by 0.25 percentage points to 9.5 per cent two weeks ago, with the discount rate moving down half a point to 8.25 per cent. But this was in response to the currency pressures which led to the lira's devaluation.

Most economists are not betting on any further action on Friday. There will be a press conference after the meeting in Schwerin, northern Germany – a usual occurrence after the council meetings held annually outside Frankfurt.

Mr Lothar Weniger, economist with Salomon Brothers in Frankfurt, said the Bundesbank was prepared to cut interest rates further, but not yet. "I don't think they want to do anything to loosen their underlying stance," he said. With money supply rising well above target – M3, the broad monetary aggregate, grew at an annualised rate of 9 per cent in August – the Bundesbank will want to wait until expansion slows down sharply.

September's M3 growth figure is likely to be at least 10 per cent in the wake of the heavy intervention to prop up European currencies. The Bundesbank said its foreign exchange reserves soared by DM44bn (£17.3bn) in the week to September 23 as a result of support operations. It has been acting to mop up liquidity in the money markets and thus alleviate the impact on money supply, but will want to see subsequent monthly M3 expansion figures on a clear downward trend before relaxing policy further.

Nikko Europe, the London branch of the Japanese securities house, also expects no rate movement on Friday. The next cuts would have to be justified by domestic fundamentals "and money supply growth and inflation militate against this". West German inflation figures for September showed a 0.3 per cent rise over August and one of 3.6 per cent over last year; the annual rate in August was 3.5 per cent.

While the D-Mark's revaluation against several European currencies will help dampen inflation, Berliner Bank notes that important areas like services and rents are not affected by this. Mr Dietrich Beier, the bank's chief economist, said Germany would only cut rates further if there was a realignment in the European Monetary System.

But without such external pressures, he saw no chance of rate cuts yet. "I see no scope for further easing". Not only had inflation shown a slight rise this month, but the Bundesbank was also concerned about the possible impact on prices of the planned rise in value-added tax in January.

Waigel foresees 'inner EC circle'

EUROPEAN countries with stable economies and currencies could make up a joint currency zone that would be the nucleus of a future Europe, according to Germany's finance minister, Mr Theo Waigel, Reuter reports from Bonn.

In an interview with the newspaper Nordkurier, he spelt out a vision of a Europe of "concentric circles", with Germany, France and some other countries at the centre.

This appeared at odds with recent official denials that Bonn now envisaged a possible two-tier, or two-speed, Europe in the wake of last month's currency turmoil and doubts in some countries about aspects of the Maastricht treaty.

His remarks appeared to reflect a vigorous debate inside the German government about how European integration should proceed.

Mr Waigel said he would not describe his view as a two-speed development, but rather a Europe of concentric circles. He mentioned Germany, France, the Benelux countries and Denmark as countries that could make up the nucleus currency zone. It would have the D-Mark as anchor and develop into a joint currency, which he termed the Europa-Mark.

Mr Waigel said he would not limit this inner circle of European countries to the French franc and the mark.

"There are no barriers against including the Benelux countries and Denmark," he said, adding that such a Europe would also be possible with Austria and Switzerland. "The only determinants are economic, financial and stability criteria," he said.

"Around this circle a Europe will develop that consists of countries that either belong to the European Community or want to belong. These countries do not fulfil the criteria, but undertake efforts toward convergence."

Last week Mr Waigel was quoted by members of his Christian Social Union party as saying the Community would have to consider developing at different speeds in the future because of the varying economic performance in member countries. However, at the party meeting Mr Waigel did not call for a two-speed Europe.

The meeting followed newspaper reports that Germany was seeking a "mini-Europe" of its strongest economies or a currency merger with France. Such plans were flatly denied by the government in Bonn.

Danes want treaty additions

DANISH Prime Minister Poul Schlüter said he wanted European Community governments to negotiate legally binding additions to the Maastricht treaty which would define EC decision-making powers clearly, Reuter reports from London.

He said it was important for the 12 EC member states to discuss the issues surrounding the Maastricht treaty on closer political and economic union which Danish voters rejected in a referendum in June.

"Then later we can find the legal solution," he told Britain's Channel Four television. "It is of course possible for governments to supplement a treaty text also in a legally binding way. I am sure we can manage that eventually."

Mr Schlüter, speaking before talks with Mr John Major the UK prime minister, on the treaty, said treaty additions would give a clear definition of "subsidiarity" – that is, which decisions should be taken by Brussels, and which by national governments.

"We have all of us supported the principle of subsidiarity and it is clearly in the treaty, he said. What we need is to clarify it further."

Hurd soft-pedals on Maastricht

By Richard Evans and Alison Smith in London

MR DOUGLAS HURD, British foreign secretary, said yesterday that the UK did not intend to propose alterations or amendments to the Maastricht treaty at the summit on Europe's future in Birmingham in mid-October.

However, he made clear at a news conference in Bonn after talks with Mr Klaus Kinkel, German foreign minister, that he did not rule out unspecified "additions" to the treaty.

Mr Hurd will today offer a vigorous defence of the Maastricht agreement, coupled with a warning that the UK's interests are unlikely to be as well-served without the treaty, when he addresses a meeting in London organised by the European Policy Forum, a think-tank.

In a speech which will set the UK government's line of argument in the coming months, Mr Hurd is expected to argue that Maastricht represents the opposite of a blueprint for a federal Europe.

"We must listen to what voices across Europe are saying about the Maastricht treaty," Mr Hurd said.

The UK government is warning its domestic critics that abandoning the agreement could jeopardise UK interests in other parts of the EC agenda such as the completion of the single market, enlargement and the legitimacy of intergovernmental agreements as a basis for co-operation.

The argument will be strengthened by the message from German leaders, that enlargement would not be possible unless Maastricht is accepted.

In a joint appearance after the meeting, the foreign ministers agreed that the recent tensions between the two governments would not damage the fundamental good relationship they have.

Foreign Secretary Hurd and his German counterpart Klaus Kinkel in Bonn yesterday

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French budget seeks to stave off pressure against franc

By William Dawkins in Paris

THE French government yesterday tabled a *compromise* budget for 1993, seeking to *stave off* pressure on the franc, while offering limited tax breaks before next March's legislative elections.

The budget, agreed by the cabinet yesterday *morning*, proposes a fractional real rise in public spending and a smaller deficit than the markets had expected. Paris plans to lift government spending by 3.4 per cent to FFr1,367bn (£156.76bn) next year, as against a stable inflation rate *of 2.8 per cent, making* this the third year running in which the state has held expenditure barely ahead of inflation.

Tax receipts are expected to fall, leading to a *steep* rise in the budget deficit. The shortfall *is forecast to reach* a record FFr165bn, which would represent 2.2 per cent of gross domestic product (GDP) next year, based on the government's forecast that the economy will grow by 2.6 per cent *in 1993, up from the 2.1 per* cent forecast for this year.

"It's a good budget, a coherent budget that recognises our priorities," said Mr Pierre Bérégovoy, the *prime* minister.

Next year's deficit would still be just below the 3 per cent GDP target for budget deficits set by the Maastricht treaty as a criterion for monetary union.

Economists fear the 1993 deficit could easily *turn out* larger than the government expects, on the grounds that the interest rate increase provoked by the recent currency crisis could make its growth forecast unattainable.

France's budget deficit has overshot in each of the past two years, *because receipts* from value added tax and corporate *taxation*, representing 58 per cent of the government's income, have been eaten away by the economic slowdown. The current year's deficit is expected to be well over FFr135bn, *as against the FFr89.6bn on which the 1992* budget was originally based.

The education ministry, by far the biggest spender, is to get a 7.2 per cent increase in allocations to FFr281bn, which will enable it to take on an *extra 10,000 staff.*

Budget deficit is forecast to be a record FFr165bn

Yesterday's tax breaks are worth FFr4.5bn in a full year and include income tax reductions for parents of school-age children, incentives for buyers of cars fitted with catalytic converters and confirmation of *a small* reduction in corporation tax – from 34 per cent to 33.33 per cent – announced last spring.

The budget will go to the *national assembly for approval* in mid-October, where it will be the subject of a no-confidence vote against the weakened government. Conservative opposition parties say the budget does not do enough to stim*ulate the flagging economy*.

The government survived the last censure motion, on farm policy reform in June, by just three votes. But since then, four Socialists MPS have moved to the senate, the upper *house*.

Lira tumbles on budget nervousness

By Robert Graham in Rome

THE lira yesterday suffered its sharpest fall on the foreign exchange markets since the Italian authorities withdrew it *from the European Monetary* System on September 16 and let it float.

The fall was triggered by nervousness in advance of *detailed presentation of the* 1993 budget due late yesterday. Dealers said the market was concerned that Mr Giuliano Amato's government would fail to show sufficient determination to push tough austerity measures through quickly.

The lira also suffered from rumours that the government was considering draconian measures, such as freezing bank deposits. These rumours *created a sharp increase in* deposit withdrawals from banks and led the prime minister to issue a formal denial.

This was backed up yester*day by a circular from* the Bank of Italy to the banks.

These rumours and the public's reactions underlined the volatility of sentiment. The lira yesterday at one stage touched 890 against the D-Mark before settling at 878. This compared *with the lira's relatively stable* 838-844 movement in recent days.

On the present parity the lira has declined in value by 13 per *cent since the realignment of* September, 12, which was then intended to be a maximum of 7 per cent. The latest figure for convertible currency reserves *to the end of August showed a* total of L22,891bn ($18.7bn), emphasising the thin margin of manoeuvre open to the Bank of Italy when it faced the turbulent events of this month.

The 1993 budget is aiming to raise L93,000bn in increased *taxes and spending cuts*. On the latest projections this would leave a deficit of L150,000bn in 1993, *similar to* that of the current year. The *deficit is equivalent to almost* 11 per cent of GDP.

The government hopes to achieve a primary deficit (without the cost of interest pay*ments on debt) of L50,000bn.* However, interest payments are being projected at L200,000bn. The main spending cuts are due to come in the health *service, from capping* pensions and freezing public sector employment, and in *reduced transfers to local* authorities.

Revenue will be enhanced. The government is proposing a special one-off corporation tax, *higher taxes on home* ownership and luxury goods, as well as some L7,000bn from privatisations – half the ambitious target in the original 1992 budget. Revenue *projections* are on the basis of an optimistic 1.5 per cent GDP growth and inflation of 4.5 per cent, which takes account of the lira's Sep*tember depreciation.*

The budget can be discussed for up to three months in par*liament. But, given the need* for Italy to regain international credibility, Mr Amato is expected to press for early approval in a vote of confidence. In *recent days he has threatened* to resign if parliament fails to back the measures or attempts to water them down.

The most controversial *aspects of the budget, already* outlined on September 17, is a sharp cut in the availability of free medical care and caps on pensions as part of a wider *reform of the generous state* pensions scheme.

Pandolfi: ploughing on

Community close to road tax plan for lorries

By David Gardner in Brussels

THE European Commission *yesterday adopted a plan for a* mutually agreed system of road tax discs for EC lorries, regarded as essential for opening up road haulage markets.

The plan, announced by Mr Karel van Miert, transport *commissioner, is likely to win* approval from the Twelve because individual member states like Germany are otherwise expected to go ahead with national road tax systems likely to discriminate against outside hauliers.

The proposal follows a European Court of Justice ruling against German plans *to* introduce unilaterally a road tax *payable by foreign lorries.*

A decision is expected before the end of the year on the measure, which will come into effect in January 1994 and apply only to motorways and lorries over 12 tonnes.

The object of the tax is to enable member states to recover *infrastructure* costs from their road networks, and also to make railway transport more attractive.

But no less important is the *now improved prospect of the* 12 agreeing to road cabotage – allowing hauliers from one member *state* to pick up and deliver goods inside another member state.

National restrictions on outside road hauliers mean that up to a fifth of Community lorries are driving around empty at any given time.

The Commission is suggest*ing an Ecu929 (£725) a year* minimum tax per 40 tonnes of lorry as a reference, but setting no upper limit.

The discs should be easily obtainable, for variable periods of days, weeks and months, *and imply neither discrimina*tion against outside hauliers nor border checks, Commission *officials said. Where, as in* France, a toll system operates, no change is envisaged.

Officials say governments will be able to reimburse their hauliers for excessive costs incurred abroad, apparently at French insistence.

● The Commission still hopes *to double EC spending on* research and development over the next five years in spite of the growing likelihood that member states will rein back the research budget, writes Andrew Hill.

Mr Filippo Maria Pandolfi, research commissioner, yesterday unveiled plans for a fourth *"framework" programme of* research and technological development involving spending Ecu14.7bn (£11.48bn) between 1994 and 1998. The 1990-94 programme is worth Ecu5.7bn.

The funds would be concentrated on certain key areas, *including* "generic technologies" which might benefit all sectors of industry, and "big science" – large research programmes like the human genome project (the genome is the sum of genetic material in an organism) which require multinational collaboration.

Norway's financial watchdog attacked

By Karen Fossli in Oslo

NORWAY'S financial sector watchdog, the Banking, Insurance, *Securities Commission*, was ineffective, lacked the resources it needed to operate efficiently and was too weak to alert government authorities to *signs the country was on the* verge of a banking crisis, according to a government report published yesterday.

The report also criticises the banks, the central bank and the statistics bureau, which, it says, *could have* alerted the government.

It points to several main causes behind the collapse of the banking system which resulted last autumn in the state becoming the main owner *of Norway's banks.*

The banks maintained a low interest rate policy for commercial and non-commercial loans which was *significantly* below their own funding costs, according to the report. Their *capital ratios deteriorated* markedly, with subordinated loans increasing steadily as their equity bases eroded.

They were also severely hit by new rules for loan loss reserves implemented in 1987, *a time when the* financial sector crisis was already well underway. *The* rules forced the banks to account for anticipated, but not yet materialised, high loan losses and they were therefore forced to book losses *before the losses actually* occurred.

The crisis was also precipitated by the effects of a sharp downturn in the country's economic cycle, a collapse of the real estate market and deregulation of the banking *system*.

The level of competition *between the banks brought too* rapid expansion and too lax credit judgment.

Spending cuts deal in Sweden

By Robert Taylor in Stockholm

ALL-PARTY agreement was reached early yesterday in Sweden on a crisis package to reduce *public spending next* year by SKr20bn (£2.1bn). The measures – *hammered out* in talks on Tuesday night – are designed to calm the foreign *exchange markets* and improve the industry's competitiveness.

Sweden's central bank cut its overnight lending rate to the commercial banks yesterday *from 40 per cent to 24 per cent* in response to the package. Initial market reaction was positive with a sharp fall in market interest rates and a 6.4 per cent jump in *the Stockholm bourse*.

The main changes involve a 4.3 per cent reduction in employers' social security contributions from January 1. The loss of revenue will be met by keeping the main VAT level at 25 per cent and increasing VAT on *food and transport* from 18 to 21 per cent.

Two days are to be cut from the current statutory annual five weeks and two days paid *holiday, equivalent* to a 0.7 per cent reduction in employer contributions. Income tax allowances are being reduced from SKr10,000 to SKr 7,500.

The main *political* parties also agreed to reduce housing subsidies by around SKr15bn *over the next few years.* These reforms follow the SKr28bn cuts in spending and SKr7bn rise in taxes agreed on September 20.

Taken together, the measures will result in a long-term *budgetary reinforcement of* SKr70bn, bringing a substantial reduction in Sweden's structural budget deficit, estimated at 4.8 per cent of gross domestic product.

The government calculates the *changes* will cut 4 per cent from industry's costs next year. Along with an expected low national wage agreement and productivity improvements, industry should increase its competitiveness by 11 per cent compared with 1990, especially with Germany, its most important trading partner.

Ministers believe the sharp reduction in employer costs will improve employment opportunities, increase production and enhance economic stability. But the government estimates it will add SKr6,000 a year *to every household's* living costs.

The latest crisis package was welcomed warmly by Swedish employers.

"It will strengthen industry's competitive power and make it possible to prevent unemployment rising to catastrophic levels," said Mr Magnus Lemmel, *head of the industrial employ*ers' federation.

Privatisation vouchers distributed to public

Russia begins big industrial sell-off

By John Lloyd in Moscow

THE WORLD'S biggest privatisation, the sale of nearly 70 per cent of Russia's productive capacity, officially begins today with the first issue of Rbs10,000 vouchers to the country's 150m men, women and children.

Mr Anatoly Chubais, the deputy prime minister in charge of privatisation, said in an interview yesterday that the privatisation "is unprecedented in the history of Russia and perhaps in the history of the world. There has never been such a campaign to open up our economy, to our people and to foreigners".

He hopes that, by the end of the year, 6,500 large companies will have completed registration as joint stock companies and will have begun offering their shares in auctions to the public for both vouchers and cash.

The companies must all present their plans to the State Committee for Property, which Mr Chubais heads, by November 1. Auctions are due to begin from December 1.

Of the more than 40 per cent of companies which have already finished their privatisation plans, he said, most had chosen options which gave most shares to the workers and managers.

One option allows the work collectives to buy 51 per cent of the shares on favourable terms, the other assigns 25 per cent to the collectives free, with a further 10 per cent to workers and 5 per cent to managers on favourable terms – in both cases before the remainder of the shares are offered in public auctions.

Foreigners are free to participate in the auction process with Russians, with the exception of some enterprises in the defence and energy sectors.

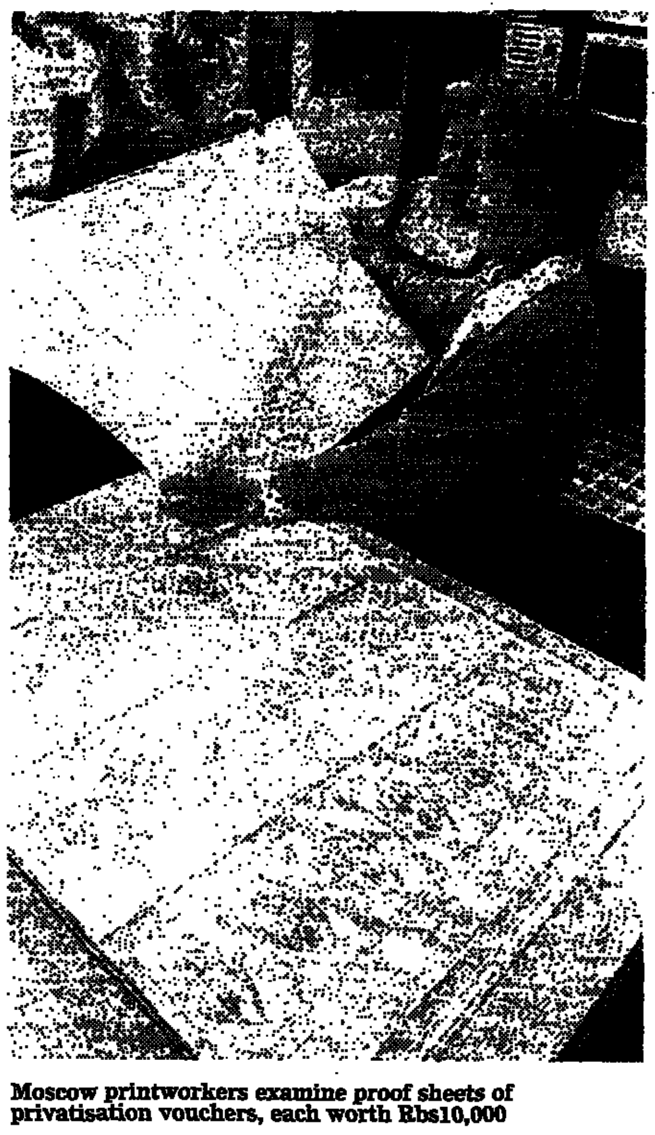
Mr Chubais said that already, foreign companies were assisting the collectives to buy their shares in return for themselves receiving shares in the companies.

A campaign is soon to be launched abroad to explain to foreign companies how best to invest. Within Russia itself, an information blitz is to be launched, with posters, advertisements in the newspapers and on television and the start of what Mr Chubais called "a funny game show" on nationwide television based on the purchase of companies.

Though a secondary market in the vouchers has already started before they are issued, Mr Chubais said that the government opinion polls showed that only 35 per cent of citizens would immediately sell their shares for cash.

He said, however, that "we don't have the goal to make every citizen into a businessman. The goal is to give every citizen a choice. It will not be 150m people who become businessmen – but perhaps 5,10,15 per cent, as in other countries."

The Civic Union faction in parliament launched an assault on the programme in the pro-communist daily newspaper, Pravda, saying it would "not hand out property to the people but rob them and lead to the laundering of mafia money".



Moscow printworkers examine proof sheets of privatisation vouchers, each worth Rbs10,000

Ukraine's beleaguered premier steps down

By Chrystia Freeland in Kiev

UKRAINE'S president, Mr Leonid Kravchuk, yesterday announced the resignation of the prime minister, Mr Vitold Fokin, in an effort to appease the country's increasingly assertive parliament.

A conservative who favoured centralised control over the economy, Mr Fokin had become the focus of attack on the government's poor economic performance and its failure to implement long promised market reforms.

In sacrificing his position, Mr Fokin appears to have saved his economic plan, which calls for reassertion of central economic control and only gradual privatisation.

Mr Kravchuk left in place the rest of the cabinet. Much will now depend on the figure chosen to succeed Mr Fokin.

Speculation has focused on Mr Leonid Kuchma, a missile factory director, Mr Valentin Symonenko, deputy premier, and Mr Ivan Pliushcht, parliament's chairman.

The resignation has forestalled efforts by some parliamentarians to call a no confidence vote in the entire cabinet.

UN persuades Croat refugees to halt march

By Laura Silber in Osijek, Croatia

AN APPEAL by a Russian United Nations officer yesterday averted a march by Croat refugees on their former homes which would have led to clashes in Serb-held territory in eastern Croatia.

Despite warnings by the UN and the Croat government of a possible massacre by Serb forces in Baranja, some 1,000 men and women refugees yesterday massed in Osijek to return to their homes, abandoned last autumn during the Serbo-Croat war. Some 77,000 Hungarians and Croats last year fled or were driven out of their homes in Baranja.

Colonel Viktor Loginov, a UN officer, on a road just south of Osijek, warned the crowd to stop their march and wait for the UN to allow them to return home.

"Where will you go? Across mines and into rifle barrels? Everything is destroyed. There is no water or electricity. How will you live there?" said the Russian officier speaking in accented Serbo-Croatian.

UN officials had feared the march would have led to violence and could have jeopardised the UN peace plan which has created four protected areas in Croatia.

The threatened march appeared to reflect the frustration of Croat refugees who see the UN as allowing the Serbs to consolidate territorial gains made during the war. Eastern Croatia was the scene of the some of the worst destruction and heaviest bloodshed.

Some Croat refugees jeered and hissed at Col Loginov accusing him of being pro-Serbian and not working to help the refugees. He said: "I have been here seven months. We have got rid of the Yugoslav army. They used to shell Osijek every day. Are they shelling you now? No. I cannot solve this problem myself. What can you solve with rifles? You can only get your heads blown off."

● Leaders of Croatia and the rump Yugoslavia were officially reported to have agreed to end military confrontation on a strategic Adriatic peninsula, Reuter reports from Geneva.

Romanians vote in freedom but with little hope

Anthony Robinson and Virginia Marsh report from Bucharest

ROMANIANS have just conducted the freest elections in their country's turbulent history. But the support given to politicians linked to the recent communist past highlights one of the difficulties facing this former dictatorship in its struggle to build a solidly based democracy.

The picture provided by the elections shows a deeply polarised society. Fault lines run between town and country, between young and old, and most markedly between the ethnic groups.

The country's substantial Hungarian community and rapidly diminishing German population have preserved their language and customs after living for centuries alongside gypsies and the Latin Romanian majority.

President Ion Iliescu, a close aide to the executed dictator Nicolae Ceausescu in the early 1970s, emerged as clear front-runner in Sunday's presidential vote. By far the most skilled and experienced of Romania's politicians, he won strong support in rural areas, where half the population still lives, and in the heavy industrial areas where a 50 per cent collapse in production from overmanned and obsolescent state companies has increased unemployment and insecurity.

Sociologists and Mr Iliescu's many political opponents believe his most tenacious supporters are among the former communist *nomenklatura*: the bureaucrats, managers and secret police who were the backbone of the Ceausescu regime.

It is the tenacity of the *nomenklatura's* hold on the levers of power and patronage which has most dismayed the young, the budding private entrepreneurs, and the liberal intelligentsia of Bucharest and other cities who backed Mr Emil Constantinescu, presidential candidate of the 18-party Democratic Convention, a loose coalition of opposition parties.

But many younger Romanians have already voted with their feet. Up to 1m people, including many of the most skilled and educated, are believed to have left the country since the fall of the dictatorship. Many more, their hopes of a decisive break with the old regime in tatters, will now try to follow.

A senior official in the privatisation agency, himself about to abandon the public service, explained. "This was essentially a negative election. Few voted enthusiastically for any of the candidates, most voted simply against the others."

Mr Iliescu, who gained around 48 per cent of the vote in the six-way first round of voting for the French-style executive presidency, is confident he will be re-elected for a four-year term in the run-off on October 11 against Mr Constantinescu, who picked up only 30 per cent.

The party which supports him, the Democratic National Salvation Front, also emerged as the largest single party in the parliamentary elections, with 28 per cent of the vote, against 27 per cent for the Democratic Convention. But both the main groupings are far from a parliamentary majority, opening the way for possibly months of what the Balkans are famous for, horse-trading and intrigue.

The possible permutations are infinite given the fractious nature of the Democratic Convention and the relative strength of personal ambition among all the participants compared to the weakness of party ideology or loyalty. But with a hungry winter approaching, after a summer of drought and sharply declining real incomes for most of the population, any new government which emerges will need the broadest possible political base to survive.

Iliescu urges parties to bury the hatchet

PRESIDENT Ion Iliescu warned yesterday that Romania faced an economic and social crisis. He called on the country's divided political parties to form a broad-based government of "national reconciliation", write Virginia Marsh and Anthony Robinson.

He said he was prepared to accept any coalition which found consensus within the new parliament following inconclusive results from Sunday's general election.

"This is a grave moment for the country and it is high time we went beyond political divisions and found a formula for mutual understanding," said Mr Iliescu, who looks set for re-election in a presidential run-off on October 11.

With 90 per cent of votes counted following Sunday's poll, the new parliament appears likely to balance almost equally parties favouring limited reform and a broad network headed by the Democratic National Salvation Front (DNSF), against proponents of faster market-oriented reforms. However, Mr Iliescu, DNSF presidential candidate, said any government would have to take into account the social costs of reform.

Mr Mugur Isarescu, central bank governor and a key member of the present government, yesterday vowed to take administrative measures to clear an estimated \$2.5bn in state enterprise arrears, even if it meant liquidating unprofitable companies and creating political difficulties.

● The US House of Representatives yesterday overwhelmingly rejected a bill, backed by the Bush administration, to restore Romania's most favoured nation trading status, writes George Graham.

All eyes on gap left by Moreira

Christina Lamb on prospects for Brazil's economy

THROUGHOUT yesterday, Mr Itamar Franco, Brazil's acting president, received a procession of state governors and leaders from most of the country's 17 parties in Congress, all wanting a say in policy and the appointment of ministers.

The three most important forces are the PMDB, the country's largest party, the PSDB, and the PT, the left-wing workers' party. The leaders of the PMDB and PT, both with their eye on the 1994 presidential elections, say they do not want to enter the government but will support a minimum programme in the interests of stability.

The crucial signal for which everyone is waiting is who will take over from Mr Marcílio Marques Moreira as economy minister. The current economy super-ministry is expected to be split into at least two parts, with a new ministry for industry and commerce.

This will be warmly received by the powerful São Paulo business community, which feels not enough attention has been paid to this area. The remainder may be further divided into finance and planning ministries.

The new minister is expected to come from the south where Brazil's economic wealth is concentrated, quite possibly from São Paulo, and may be a businessman rather than a politician, in theory above party rivalries.

The name of the appointee who will be the sixth person to try a hand at running the economy in as many years, will give a clue to how Mr Franco intends to rescue Brazil from three years of recession, mounting unemployment, an unmanageable budget and monthly inflation of more than 23 per cent.

Names being mooted include Mr Jose Serra, a leading São Paulo economist from the PSDB and an advocate of an independent central bank, though his nomination may be vetoed by the PMDB, the largest party backing the new government. Other possibilities are Jorge Gerdau, head of the largest private steel group in the continent, and Mr Paulo Haddad, an economist from Mr Franco's home state of Minas Gerais, who as state planning secretary put considerable emphasis on community projects.

Mr Franco has had little time to formulate his ideas. He has no party and no programme but yesterday some things were becoming clear.

Mr Pedro Simon, a senator and leading aide to Mr Franco, immediately ruled out a widely rumoured economic shock plan: "The possibility is totally discarded," he said.

Instead the new government is expected to take advantage of its wide-ranging coalition of support inside and outside Congress to try to implement a wage and price policy through a series of sector-wide pacts involving federal and state governments, business and unions, and to push through Congress an emergency tax reform.

Through this Mr Franco hopes to win some leeway to reduce interest rates from about 33 per cent a month, which is crippling industry and bringing investment to a standstill, and to try to resuscitate the government budget. This is in a parlous state, particularly after the spending inducements handed out by Mr Collor's lieutenants in recent weeks to try to swing the impeachment vote the president's way.

The planned fiscal reform, expected to be announced in the next few days, is likely to focus on simplification of the complex tax system, introduce a stop-gap tax on financial transactions, and crack down on tax evaders. More controversial points such as the balance of revenue between the federal government and states will probably be left for next year.

Under Mr Collor the Brazilian economy has been painfully abandoning the import substitution model and starting to open up to the world and to cut red tape. In his two and a half years in office Mr Collor made astonishing progress creating a consensus in society behind previously heretical ideas such as privatisation, competition and the inflow of foreign products.

Mr Franco's aides insist that Mr Collor's modernisation programme will continue, if with some modifications. But yesterday lobbyists from FIESP, the powerful São Paulo business federation, were already in action, hoping for a slowdown on the tariff reduction timetable and suspension of the next round of cuts, due today.

Mr Orestes Quercia, leader of the PMDB, says: "There is no reason for preoccupation over the modernisation programme. On the contrary it will run much more smoothly as we will have far more competence to implement it."

Differences could come in the privatisation programme where there is strong pressure to abandon the system under which companies are sold in exchange for domestic debt, known as "rotten money", in favour of a short-term debt or a cash-only system.

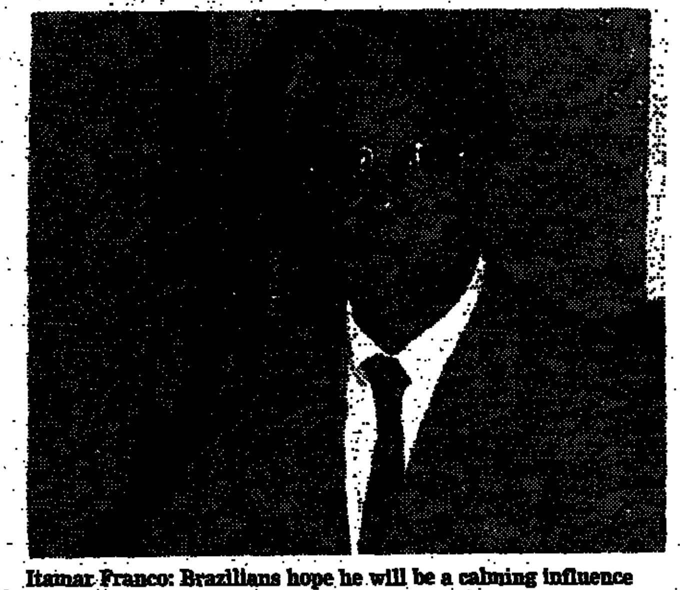
Mr Eduardo Modiano, Mr Collor's head of privatisation, argues that there is not enough cash available in the market and that using privatisation proceeds to fund current expenditure would deter people from implementing fiscal reform. "It would be like selling your car to go to Disneyland for a month, having a wonderful time, and then returning to find that your outgoings are still more than your salary."

Mr Franco has given strong indications that he will pay more attention to social problems and improving Brazil's appalling income distribution gap – the highest in the world according to the World Bank – which resulted from the country's post-war economic development model.

One of Mr Franco's most urgent problems will be to renegotiate with the International Monetary Fund targets of an agreement signed in January. Although Brazil has persistently failed to meet them and thus drawn down only the initial tranche, the IMF has kept the agreement on hold.

WINNER: Brazilian congressman José Genoino punches the air as he and his colleagues vote to have President Collor face an impeachment trial in the Senate

High office for man who aimed low



Itamar Franco: Brazilians hope he will be a calming influence

THE BENEFICIARY of a political jinx, which seems to destine most of Brazil's civilian presidents not to complete their mandates, never aimed for high office. Mr Itamar Franco, the new acting president, almost quit politics after his first term as mayor of his home town of Juiz de Fora, in Minas Gerais state in the 1970s, writes Christina Lamb.

By contrast, President Fernando Collor, who now steps down, always felt destined for great things. On becoming head of the football association of his home state of Alagoas when he was only 19, he told friends he was headed for the presidency of the republic. It was an aim he never abandoned, even during his years as a playboy in Rio de Janeiro, and he achieved it in March 1990 at the age of 40.

Mr Franco is as introverted and home-loving as Mr Collor was adventurous and dynamic. The new man's time in office is expected to be a welcome relief from the drama of the Collor years, which the impeachment vote on Tuesday night spectacularly interrupted.

Nobody expects Mr Franco, 62, to enter the history books as a great leader, but few Brazilians are looking for that. The overwhelming hope is for a stable government which will calmly carry out its functions without the bouts of hysteria and depression which characterised the Collor administration. "An Itamar government will mean a much smoother ride," says Mr Alexandre de Barros, a political consultant. "With Collor, we were in the hands of a nutter, where anything could happen."

His cabinet is expected to be a grey, more managerial, affair than Mr Collor's assortment of characters. Those included a fervent environmentalist, a union leader, and a woman economy minister who fell in love with the justice minister, a married man, passing him billets doux in cabinet meetings and then authorising a biography about it all.

Mr Franco has no party political allegiance, having quit Mr Collor's party this year after a row. A staunch opponent of the military regime that ended in 1985, he is most closely identified with the Democratic Movement Party, the country's largest party.

Mr Maurício Correia Lima, widely expected to be justice minister, says: "The Itamar government needs to be one of transition, above party fights. It should not get involved in polemics, such as [those on] the referendum next April on the political system, or in backing candidates in the 1994 elections."

Clinton fears damage from Perot return

By George Graham in Washington

PRESIDENT George Bush and Governor Bill Clinton yesterday braced themselves against the prospect that Mr Ross Perot, the Texas computer billionaire, would re-enter the US presidential election.

Mr Clinton, the Democratic candidate, said that Mr Perot could cost him the White House if he decides to resume the campaign he interrupted in July, a decision Mr Perot has promised to announce by this evening. "He could give the election to Bush if those who want change are equally divided," Mr Clinton said in a television interview yesterday.

The Bush camp, however, appeared to view Mr Perot's entry more calmly. The president's re-election bid has made so little inroad into Mr Clinton's lead that his advisers appear to welcome anything that could shake up the race.

A Perot candidacy could do that, although pollsters are uncertain how it would affect the outcome of the November 3 election.

Mr Perot could hurt either candidate, taking votes from Mr Bush in Texas and Florida, and from Mr Clinton in the Midwest and perhaps California, or damage both equally.

However, the unflattering press coverage Mr Perot experienced before suspending his campaign in July has been already resumed. Most newspapers yesterday reported critically on the salaries Mr Perot has paid to his so-called volunteers, or political supporters, as well as on the disgruntlement of voters who had telephoned his headquarters to urge him not to run, only to find that their call was automatically recorded as an expression of support.

Even without a Perot re-entry, Mr Bush has sought to shake up the campaign with a change of heart on the issue of televised debates.

Mr Bush's proposal on Tuesday to hold four presidential debates, including Mr Perot if he should declare his candidacy, has been coolly received by the Clinton campaign.

Most pollsters now believe that Mr Perot could win almost as many votes as earlier independent candidates such as Governor George Wallace, who received 13.5 per cent of the vote in 1968, or Robert LaFollette, the Wisconsin populist who scored 16.6 per cent in 1924.

Bipartisan drive to strengthen US

By Michael Prowse in Washington

SENATORS Sam Nunn and Pete Domenici yesterday cast aside party loyalties to make a bipartisan appeal for a long-term programme of reforms to strengthen the US economy and reduce the budget deficit.

At a news conference, they urged a radical re-shaping of the tax system, involving the replacement of personal income taxes by consumption taxes, as part of a strategy to increase national savings and balance the federal budget by 2002. They also urged deep cuts in planned federal spending so as to help pay for increased investments in education, training and commercially relevant research and development.

Mr Nunn, a Democrat from Georgia, and Mr Dominici, a Republican from New Mexico, were releasing the first report of the Strengthening of America Commission, a bipartisan group of 60 prominent Americans assembled by Center for Strategic and International Studies, a Washington think-tank.

It specialises in foreign policy but, since the collapse of the Soviet Union, has recognised that "some of America's biggest trouble spots are not abroad but at home." It argues that deep-seated social and economic problems at home can be solved only if the US develops a bipartisan consensus on policies, similar to that forged on national security in previous decades.

The report's most radical proposal is that personal income taxes be abolished and replaced by a progressive consumption-based tax. It is not urging a value-added tax, but a reform of existing personal taxes. Taxpayers would take annual income, add net borrowing, gifts and bequests, and subtract all savings, such as net investments and increases in bank deposits.

The advantage of such a tax is that it would remove the current fiscal bias against saving while letting rich individuals be taxed at higher rates than the poor, thus retaining progressivity. The commission believes the new tax would stimulate savings and investment.

It would be phased in as part of a strategy to balance the federal budget within a decade. The commission advocates an 8 per cent cut in planned federal spending, saving $1,500bn over the next decade. The consumption tax would also raise an additional $376bn – equivalent to a 3 per increase in revenues.

However, spending cuts would have to be legally guaranteed before taxes could be raised, and tax increases would be limited to no more than $1 for every $2.75 of spending reductions.

Much of the spending reduction would be achieved by capping the growth of entitlement programmes such as Medicare, the health scheme for the elderly.

The commission also argues strongly for increased investment in areas critical for future economic competitiveness.

● Sales of new homes fell 6.1 per cent in August, providing further evidence of US economic weakness. The drop was the biggest since March and compared with analysts' forecasts of a gain of about 2 per cent.

Canadian banks raise prime rates by two percentage points

By Bernard Simon in Toronto

CANADIAN banks yesterday lifted their prime lending rates by a record two percentage points, in response to moves by the Bank of Canada to defend the Canadian dollar.

The rise in prime rate, from 6.25 per cent to 8.25 per cent, reverses the steep downward trend in Canadian interest rates, which began in mid-1990 when prime was at 14.75 per cent.

The sharp rise in rates over the past few days has stabilised the dollar, which was trading little changed yesterday at about 80 US cents.

Bond prices staged a modest rally.

Canadian financial markets were unsettled in early September by the upheaval in European currencies, but the turbulence has been exacerbated by fears of the economic consequences of a No vote in the referendum on a new Canadian constitution on October 26. Recent opinion polls show the No side comfortably ahead in Quebec, British Columbia and Alberta.

Supporters of the constitutional deal are hoping that fear of further economic turmoil will help them make up ground as the referendum approaches.

Long Beach rejects foreign bid for former Cunard flagship

By Tim Burt

SEA CONTAINERS, the Bermuda-based shipping company, has lost its attempt to acquire the Queen Mary, the former Cunard flagship moored as a tourist attraction in Long Beach, California.

The City of Long Beach, which bought the vessel in 1967, rejected Sea Containers' bid yesterday after deciding to seek a local operator rather than see the liner towed overseas.

The California port has been seeking buyers for the 56-year-old vessel following Walt Disney's decision not to renew its lease on the site near Los Angeles.

Harbour officials had been expected to sell the liner to a Hong Kong consortium before the city council suspended the bidding process.

The Queen Mary has been losing $5m a year as a floating museum and hotel. Repairs needed to make the ship seaworthy have been estimated at $27m by US marine engineers and its scrap value would not cover the cost of towing her to the breakers' yard.

Supporters of the Sea Containers bid said they were disappointed by the decision.

Argentine pensioners protest

By John Barham in Buenos Aires

POLICE sealed off Argentina's Congress in central Buenos Aires yesterday as pensioners held a demonstration as part of a year-long campaign for a rise in pensions.

They protest outside Congress every Wednesday. Last week, they had stormed a police barrier. This led to scuffles which the government claims were started by seven "extremist" provocateurs.

Mr Domingo Cavallo, economy minister, has refused all increases not funded by increased taxes or contributions. The government's hard line has only increased the pensioners' desperation.

Argentina has about 4m pensioners whose benefits consume 7 per cent of gross domestic product. The government has refused to increase the minimum pension of the equivalent of $150 a month because it says the public pension fund is bankrupt. It is working on a pensions reform, replacing state benefits with private ones.

OECD sees sharp growth for Mexico

By Stephen Fidler, Latin America Editor

MEXICO should enjoy single-digit annual inflation and growth of 5 to 6 per cent through the mid-1990s, although a widening current account deficit presents risks to the economy, according to a survey from the Organisation for Economic Co-operation and Development.

A survey published today, the first by the Paris-based organisation of industrialised nations for a non-member country outside eastern Europe, says that the deficit – expected to widen to $16.2bn this year – "could once again become difficult to finance".

At 5 per cent of GDP, the deficit exceeds that recorded at the onset of the debt crisis in 1982, although, unlike then, it is not a result of government borrowing.

However, financing a deficit of such magnitude would imply a growth in the country's foreign liabilities "in excess of anything observed historically," the report says.

So far, the deficit appears not to stem from a lack of competitiveness of Mexican exporters, but reflects rising domestic investment, faster growth in Mexico over that of its trading partners, and a drop in national savings. The OECD said its analysis underlines the importance of policies to encourage savings. Unless savings recover, investment might have to be scaled back, jeopardising the recovery programme.

Mexican growth this year will be slower than expected – the 1992 projection has just been revised downward from 4 to 3-3.5 per cent. This, the survey says, is a result of the slow recovery in the US and caution by investors awaiting the conclusion of the treaty on the North American Free Trade Agreement with the US and Canada.

This meant that trade and current account deficits were running higher than expected. Some weakening of confidence had also meant that interest rates have had to increase to generate the requisite capital inflows.

However, growth should accelerate, to 4.9 per cent, next year. It should then climb towards 6 per cent in 1996, in excess of population expansion, which is expected to slow from the current 1.9 per cent a year. Meanwhile, inflation, which should average 14.5 per cent this year (ending the year at 9.7 per cent), should decline to an average 8 per cent next year and to 7 per cent in 1994.

The survey suggested structural improvements were especially needed in agriculture and education, but said it was too early to say whether recent reforms by the government to these ends will be effectively implemented and have the desired effects.

Environmental protection was another area where performance needed to improve: in particular, enforcement of environmental laws needed to be better.

The risks to a generally optimistic assessment would come if private saving continued to decline, hitting investment, or if further appreciation of the real exchange rate started to hurt Mexican competitiveness.

The current account deficit would be further hit if the Nafta were not ratified and the US economic recovery were further delayed or weak. On the other hand, the government's tight fiscal policy should give some cushion against such adverse shocks, the report concludes.

The survey is a reflection of increased co-operation between Mexico and the OECD. The Mexican government hopes this will result in its membership of the organisation.

Mr Pedro Aspe, Mexico's finance minister, expects growth for the whole of this year to be similar to that in the first half – about 2.8 per cent and so even lower than yesterday's latest OECD forecast, itself revised downwards. He anticipated an increase in growth in the first quarter of next year, but emphasised that inflation would have to fall to single figures before growth of 4 or 5 per cent could be achieved, Damien Fraser writes in Mexico City.

Mr Aspe also appeared to rule out any additional devaluation of the peso. As long as the current tight monetary and fiscal policy was maintained, the peso's 2.5 per cent annual slide against the dollar could continue without problems, he said. The current account deficit – expected to top 6 per cent of GDP this year – did not represent a risk to the economy, because it was generated by private-sector investment, Mr Aspe argued.

MEXICAN ECONOMIC OUTLOOK

	Actual 1990	Preliminary 1991	Projected 1992	Forecast 1993	1994	1995	1996	1997
Real GDP*	4.4	3.6	4.0	4.9	5.6	5.9	6.0	6.0
Consumer prices (average)*	26.7	22.7	14.5	8.0	7.0	6.0	5.0	5.0
Current account deficit†	2.8	4.7	5.1	5.3	5.3	5.1	4.7	4.2
Total public debt†	54.9	44.4	36.6	30.7	25.8	21.6	18.3	15.3
Nominal GDP#	241.4	282.5	320.3	355.8	387.0	421.5	459.5	500.3
Current account (deficit-)#	-6.9	-13.3	-16.2	-18.8	-20.5	-21.7	-21.5	-21.0

*Annual % change †As % of GDP #$bn

Source: OECD

UN to quit Sudan's south after murders

THE UNITED Nations is pulling out of southern Sudan after a UN worker and a foreign journalist were killed in mysterious circumstances at the weekend, Reuter reports from Nairobi.

Mr Thomas Edval, co-ordinator of UN Operation Lifeline Sudan (OLS), said yesterday relief operations near the town of Juba were closed.

The main faction of the rebel Sudan People's Liberation Army said on Tuesday a splinter group had murdered a Norwegian journalist whose name it gave only as Helge and a UN staffer from Burma named Myint Moung, and abducted two aid workers on Sunday.

Relief workers said starving millions in the region could face imminent death if the UN shut its operations.

● The UN said an international outcry had scuttled a scheme by European companies to dump 10m tonnes of toxic waste in Somalia. African and western governments were outraged last month by reports that a Somali claiming to be a government minister had signed a 20-year dumping deal.

● Relief agencies said they were evacuating staff from the Somali port of Kismayu after constant threats by gunmen trying to loot food meant for the starving. Aid workers had were said to be blockaded in a UN compound by their own Somali guards because of disputes over money.

Peaceful Angolan poll lifts hopes for African democracy

By Julian Ozanne in Luanda

ANGOLA'S National Electoral Commission extended voting in a handful of rural areas last night to give all registered voters a chance to make their choice in the war-shattered country's first free elections.

"By midnight we expect everybody who wants to vote will have voted and we expect the turnout to be at least 90 per cent," said Mr Onofre dos Santos, commission chairman. The two-day ballot passed relatively smoothly, confounding widespread fears of violence and ballot-rigging.

In an isolated incident last night a policeman guarding the house of the deputy minister of the interior was shot dead. Police said the gunmen were members of the opposition group Unita who believed the Luanda residence of Armindo Espirito Santo was being used to plot attacks on Unita leader Mr Jonas Savimbi.

Earlier observers saw the success so far of the elections as offering hope for democracy elsewhere in Africa. "It been a historic two days for the continent," said one. "If Angola can do it, with all the logistical and political problems, then the rest of Africa can do it too."

An election official demonstrates party symbols to two Angolan voters yesterday

Mr Dos Santos said at least 2.5m people, about 60 per cent of the 4.86m registered voters, voted on the first day of polling. Logistical problems which delayed the establishment of about 400 polling stations on Tuesday had been overcome, he said, and it would be necessary to extend voting till late last night at only 40 stations of 5,800 across the country.

Counting was under way last night and a result is expected this evening if an operation to fly electoral officers from remote areas to provincial centres continues smoothly.

Diplomats and other observers praised Angolans and the election commission. "There has been a tremendous enthusiasm to vote across the country which shows that Angolans want the new Angola to work," said one observer. "We've been amazed at the character of Angolans throughout...the political awareness, tolerance, responsibility and gravitas about the historic moment."

The toughest test comes in the next 24 hours when one of the two main rivals, the MPLA government or the former rebels Unita, must accept defeat.

Israel calls for summit with Assad

By Hugh Carnegy in Jerusalem

ISRAEL said yesterday a meeting between Mr Yitzhak Rabin, its prime minister, and Syrian President Hafez al-Assad was essential if peace talks between the two countries were to be successful.

Although it has so far been rejected by Damascus, Israeli ministers made clear their insistence on the proposal following a cabinet review of the latest round of Middle East peace talks which ended in Washington last week.

"This meeting is necessary, essential. Without it we will not be able to break through the psychological and practical barriers that prevent fast progress," said Mr Haim Ramon, health minister.

During the month-long talks, due to resume on October 21, slow but unspectacular progress was reported in the four sets of bilateral negotiations between Israel officials and delegations from Syria, Jordan, Lebanon and the Palestinians.

The cabinet also rejected Syria's insistence that any agreement with Israel must be linked to agreements with the other Arab parties to achieve a "comprehensive" settlement.

The Palestinians have voiced concerns that Syria and Israel might achieve a separate accord, leaving the fate of the occupied West Bank and Gaza Strip unresolved. But Mr Yassir Arafat, leader of the Palestine Liberation Organisation, said he had been assured by Mr Assad that Syria would not alter its commitment to a comprehensive peace accord.

Russian troops seize airport in Tajik capital

THE RUSSIAN army said yesterday it had seized control of the airport in Dushanbe, capital of war-torn Tajikistan, Reuter reports from Moscow.

Mr Akbarsho Iskandarov, acting president of the central Asian republic, said in messages to CIS leaders and the United Nations that he was powerless to stop bloody fighting and asked for help, Interfax news agency said.

"The conflict in the south of Tajikistan is growing. It can have unpredictable consequences not only for Tajikistan, but also for the Commonwealth states and, possibly, for the whole world community," he was quoted as saying.

He urged CIS leaders to take urgent measures to help the government normalise the situation.

By one estimate Mr Iskandarov's provisional government, which took over after communist President Rakhmon Nabiyev was forced to resign at gunpoint last month, controls only 20 per cent of the state's territory.

Moscow rushed in reinforcements to Tajikistan on Tuesday to protect ex-Soviet forces besieged in the republic by rival groups struggling for power. The dispatch of additional troops apparently forced the warring sides in Tajikistan's Kurgan-Tyube region to lift their blockade of a Russian regiment.

The armed factions have seized weapons from troops serving in Commonwealth units, now under Russian control, and have taken servicemen hostage. They had also imposed an effective blockade of the Russian garrison in Kurgan-Tyube, 80km south of Dushanbe.

Local officials said hundreds of people were killed or wounded in the region in weekend clashes between local opponents of Mr Nabiyev and his supporters from the neighbouring Kulyab area.

Neighbouring states have expressed serious concern that the conflict, which is forcing Uzbeks and Russians to flee Tajikistan, could spread across its borders.

World Bank delays Narmada decision

By George Graham in Washington

THE World Bank has postponed a decision on changes to the controversial Narmada dam project in India.

The $3bn dam and associated canal and drainage works, which will provide irrigation and drinking water to 30m people in western India, have been under construction since 1987. But after persistent criticism, the World Bank last year asked for an independent report.

The report, by Mr Bradford Morse, a former administrator of the United Nations Development Project, backed many of the objections. He was especially critical of the inadequate measures to resettle people displaced by the dam's waters.

The World Bank executive board had been due to meet today to discuss the action plan produced by Bank staff in the wake of the Morse report, but directors want more time to consider the proposals.

The board is expected to meet again on October 15.

Some directors want to hear Mr Morse's comments on the Bank's revised plan before committing themselves.

Mr Morse's support for the new plan would help to deflect much of the criticism that Bank officials still believe they will receive from environmental groups.

Commission condemns Ciskei shooting

By Patti Waldmeir in Johannesburg

AN INDEPENDENT commission of inquiry in South Africa yesterday condemned the "indiscriminate and prolonged shooting" by Ciskei homeland troops which left 28 African National Congress (ANC) demonstrators dead after last month's march aimed at toppling the Ciskei government.

Meanwhile the ANC confirmed last night it would return to constitutional talks following the summit between President F W de Klerk and Mr Nelson Mandela.

The inquiry, headed by Judge Richard Goldstone, also strongly criticised ANC leaders, saying their actions were irresponsible and deliberately placed the demonstrators in imminent danger which resulted in death and injury. Mr Goldstone recommended that the ANC leadership publicly censure those of its officials who were responsible.

The Ciskei massacre, which also left one Ciskei soldier dead (ballistics evidence showed he was shot by his own side), provoked a serious political crisis which was only defused after substantial concessions from the South African government to the ANC.

Mr Goldstone said in his report that Ciskei's claim that its soldiers were shot at by the demonstrators was not probable. He added: "Indiscriminate and prolonged shooting at innocent demonstrators is morally and legally indefensible and is deserving of the strongest censure.

"When the crowd in that area turned to flee...the continued and prolonged firing was quite unjustifiable and unlawful," he said. He recommended that criminal charges be brought.

The report said the action by a communist party leader, Mr Ronnie Kasrils, in leading a group of demonstrators through a gap in a fence and toward soldiers hidden in long grass "was the immediate cause of what followed".

The 36-page report will put pressure on President F W de Klerk to ensure that homeland governments, which Pretoria funds and whose security forces it largely controls, permit free political activity. The report argues that reasonable and negotiated mass demonstrations should be tolerated anywhere in South Africa, including the nominally independent black homelands.

Antarctic ozone hole grows

THE ozone hole over Antarctica expanded by 15 per cent in 1992 and is now nearly the size of the entire North American continent, according to the US National Aeronautics and Space Administration (Nasa), Reuter reports from Washington.

It said this was the fifth year since 1986 to see large ozone depletions.

Housing starts lift Japanese gloom

By Charles Leadbeater in Tokyo

HOUSEBUILDING in Japan, one of the few bright spots in an otherwise gloomy economy, recorded a 12 per cent increase in housing starts in August against a year earlier.

It was the third consecutive monthly increase, according to figures published by the Ministry of Construction.

August's rise was the biggest since March 1988 when the economy was in the midst of a property boom.

However, overall construction orders placed in August fell 5.8 from the year before, led by a 38.7 per cent fall in orders from the private sector, according to the Japan Federation of Construction Contractors.

The growing role of the public sector in the property and construction markets was underscored by a 56.7 per cent increase in public sector orders. This was mainly due to the way public sector orders were brought forward into the first half of the year by a public spending package announced in March.

The upturn in housing starts may also partly reflect additional public money being pumped into the housing market through the public sector housing loan system. However, the upturn in construction activity has not yet fed through into increased demand for consumer durables.

Construction of privately owned homes rose by 22.3 per cent from the same month last year, while starts on homes for rent rose by 27 per cent.

Despite these rises the property market remains deeply depressed. Construction starts on houses and condominiums for sale fell 26.9 per cent from August last year. It was the 17th consecutive month in which starts on houses and condominiums for sale fell, the longest run of declines on record.

Australian treasurer expects upturn before next year's election

Dawkins confident of recovery

By Alexander Nicoll, Asia Editor

AUSTRALIA will not see dramatic declines in unemployment as its economy recovers from recession, but growth in employment, when it occurs, will be sustainable, Mr John Dawkins, Australia's treasurer, said in London yesterday.

He said the Labor government of Mr Paul Keating, was not making "heroic" forecasts of sharp falls in unemployment, now at 10.9 per cent.

The rate is sensitive for the government, which must call an election by mid-1993 and is struggling to pull the economy out of a long and deep recession.

Mr Dawkins said unemployment would drop below 10 per cent during 1993, but he could not say that this would occur before the election.

However, he was confident that the signs of an improvement would be there by the time the election was called.

The monetary and fiscal stimulus which the government has given to the economy would not re-ignite inflation, Mr Dawkins said.

Inflation dropped to an annual rate of 1.2 per cent in the quarter to end-June. The government has sought to boost the economy through repeated cuts in interest rates and job-creation programmes.

Low inflation was not simply the result of the two-year recession but was also attributable to low growth in wages and would therefore be sustainable, Mr Dawkins said.

The budget boost followed a long period of fiscal rectitude and was being funded by savings.

It was sensible, he said, for the government to provide such a stimulus when it could afford to do so. Countries such as Britain and the US, because of their budget problems, could not afford to do it.

On interest rates, Mr Dawkins said that given the recent instability of international financial markets, further changes in rates could not be contemplated for the time being but that they would remain under review.

Sustainable, non-inflationary growth would be the answer to Australia's balance of payments problems – the deficit is currently projected at A$15bn or 3% per cent of gross domestic product.

Australia needed to make inroads into the size of its external debt but this would take time.

Mr Dawkins said a key element of sustainable growth was continued progress in liberalisation of trade. The Asia-Pacific Economic Co-operation (Apec) grouping would be important in this process because it would help to develop the widest possible constituency for liberalisation, he said.

Australia was instrumental in establishing Apec, which has so far consisted of a series of meetings but agreed recently to establish a permanent secretariat.

Mr Dawkins suggested that eventually it could have functions similar to that of the Organisation for Economic Co-operation and Development in the industrialised world, monitoring regional economies.

A key objective, he said, was to maintain US economic involvement in Asia while it reduces its military presence.

See Observer

John Dawkins: no heroic forecasts

Seoul sees Beijing as 'honest broker'

By John Burton in Seoul

SOUTH KOREAN President Roh Tae-woo left Beijing yesterday claiming that his four-day state visit would help bring about Korean unification and improve bilateral economic relations.

The visit – the first by a South Korean leader to China – did not produce dramatic developments, but South Korean officials expressed satisfaction that China signalled its willingness to assume the role of "honest broker" between the two Koreas.

China is the main ally of North Korea, but it decided to establish diplomatic relations with Seoul in August. This reflected South Korea's growing economic power and its possible role as a counterweight to Japanese influence in the region.

Seoul claims that the forging of relations with Beijing has forced Pyongyang to adopt a more conciliatory stance in inter-Korean negotiations.

It notes that unexpected progress was reached last month with North Korea on implementing the reconciliation treaty, although the two remain divided on the issue of nuclear facilities inspections.

Chinese officials warned Mr Roh that intense international pressure should not be placed on Pyongyang concerning nuclear inspections.

They suggested that Pyongyang might soon make a concession on the issue.

Mr Roh and other South Korean officials have also recently hinted that North Korea's suspected programme to build a nuclear weapon may have been abandoned or suspended.

China favours the denuclearisation of the Korean peninsula and has refused to provide nuclear technology to Pyongyang.

The establishment of Sino-South Korean relations was the final step in Mr Roh's "Nordpolitik" policy to forge ties with North Korea's closest allies, which included the former Soviet bloc.

Beijing has been quietly persuading North Korea in recent years to adopt some of the market measures taken in China. China and South Korea said the benefits of their closer bilateral economic relations could be extended to North Korea.

Islam clouds Pakistan investor hopes

Simon Davies reports on concerns over the religious prohibition on interest payments

THE FUTURE of Pakistan's banking system is being decided in the courts, and the credibility of the government's push to attract foreign investment will depend on the response.

Within Pakistan, businessmen and politicians are relaxed; they argue that in practical terms the prohibition of interest payments on loans would have little impact.

Overseas investors, however, are nervous. There is every chance that it will turn out to be a non-issue, resolved by introducing a broadly acceptable alternative system. But while the government pays homage to the fundamentalist political wing in refusing to confront the realities of Islamic banking, the cloud of uncertainty will remain.

The debate revolves around the term *riba*. It is not defined in the Koran and is variously interpreted as either usury or interest; this interpretation is of crucial importance, since riba is prohibited under Islamic law.

The dispute has already put back one of the world's largest power projects, Hab River, by more than six months because the overseas bankers required special guarantees before they would lend in such uncertain circumstances.

Foreign investors have said that economic "Islamisation", along with law and order, are their primary concerns. So far, these appear to have offset the attractive investment package the government of prime minister Nawaz Sharif has created for foreign investors.

In November last year, the federal Shariat Court ruled that interest was "repugnant to the injunctions of Islam". The court hearing had come soon after the expiry of a ban by the religious court on the examination of fiscal law and banking practice.

To a country with a national debt of $25bn, this is of serious concern; taken to its logical conclusion, the government's debt arrangements would be un-Islamic, and the debt therefore should immediately be repaid, which, of course, it could not be.

It is apparent that the government is satisfied with the status quo. Local banking already operates under a non-interest arrangement, with interest-based loans and deposits being replaced with a system of mark-up or profit-and-loss sharing schemes.

Under the mark-up system, a borrower sells goods to the bank and these are then sold back at a marked-up price, which is paid back over a fixed period. Compound interest or mark-up is not permitted, since the key to riba is that money should not carry any intrinsic time value.

> The debate revolves around the term riba, variously interpreted as either usury or interest

Under the profit-and-loss schemes, depositors participate in the performance of the banking operation, rather than getting a fixed return. In theory, they could lose money, but in practice it is possible for depositors to get a good idea of the likely return on their capital.

The Shariat Court ruling was critical of mark-up and of all forms of interest-bearing loans, regardless of their justification. Pakistan is a big issuer of fixed-interest bonds.

The Shariat Court is subordinate to the Supreme Court, which gives scope for appeal. The finance minister was apparently anxious to do so, but came across a serious obstacle: the fact that his government had been elected under an Islamic banner.

In June 1991, the Sharif government passed its own "Act for the Enforcement of Shariah" which undertook to "Islamise" the economy and eliminate riba. The government did the next best thing, and persuaded the banks to appeal "independently".

Then in June, it launched its own appeal. The attorney general argued at the same time that the prohibition of interest would lead to an economic collapse.

The business community awaits a date for the appeal to be processed, but it is assuming this will be postponed for a long time.

Under the government's Shariat Act, a commission was appointed to set out an alternative economic system which could operate under Islamic principles. No time was set, and it is likely the government will wait for a recommendation before tackling the courts, although, in theory, it is not up to the government when the court hearing is to take place.

In the meantime, the government has undertaken that the Shariat Act will not affect the validity of any existing financial obligations to foreign institutions or governments. These will be recognised until the new system evolves. But there are grey areas. It is not made clear whether the guarantees apply to any loans that were made after the Shariat Act was made law.

In addition, lawyers have argued that loan defaulters could defend their actions against the banks on the basis that the contract was not in accordance with Islamic law. Even mark-up could be challenged, since the Shariat Court said this was against the injunctions of Islam.

But the government seems content to allay concerns with the statement that nothing will change unless a satisfactory alternative is developed. One local industrialist said he was confident a rational system would evolve, but only over a long period. "They will probably just change the names and the only difference will be that borrowers end up paying more," he said.

NEWS: WORLD TRADE

West looks to fly-away growth of east Asia

Kieran Cooke reports on a region fast establishing itself as the hub of international airline business

SINGAPORE couples often hold their wedding receptions in the air conditioned splendour of the city state's Changi airport, then hop on an aircraft. These days there are plenty of honeymoon destinations to choose from.

There are newly opened routes to Hanoi or Ho Chi Minh City in Vietnam, to Phnom Penh in Cambodia, to numerous destinations in China or in the Indonesian archipelago. Further afield, new routes have been opened to North America and Europe.

It is the same story in virtually every city in east Asia. While recession has kept the airline business in North America and Europe down in the clouds, in east Asia it is experiencing fly-away growth.

The region's rapidly growing economies, more tourist traffic and the lifting of travel restrictions in some countries, notably Taiwan and Korea, have resulted in more passengers.

Throughout the region airlines are expanding operations or new airline companies are being formed. And the western aircraft manufacturers are all scrambling to form joint ventures with Asian partners to position themselves strongly in what remains the most promising sector of the hard-pressed civil aviation industry.

British Aerospace has now set its sights on Taiwan to help revive its flagging fortunes in the regional aircraft business. It hopes its proposed $500m joint venture with Taiwan Aerospace to manufacture regional jets will ensure a continued strong British presence in the fiercely competitive regional jet market.

Philippine Airlines is newly privatised and has orders and options for 16 new wide-bodies aircraft. Even the smaller carriers such as the reorganised Vietnam Airlines are enjoying robust growth. Vietnam Airlines says it is achieving an 80 per cent payload on its recently established flights to and from Kuala Lumpur and Singapore.

A recent report by the International Air Transport Association (Iata) forecast that airline passenger numbers in the Asia Pacific region will double over the next six years. By 2000, the region will account for nearly 40 per cent of worldwide passenger traffic, by the year 2010 that figure will be more than 50 per cent - representing 375m passengers.

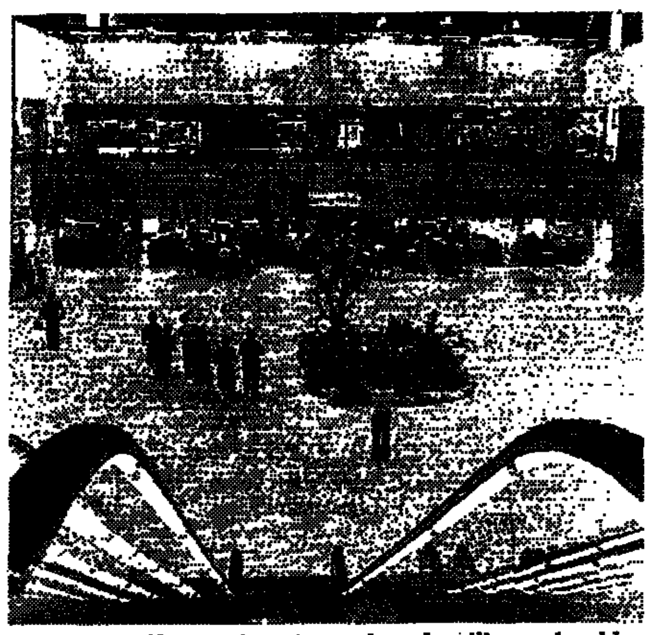
In south -east Asia, Iata predicts that passenger traffic will grow by more than 9 per cent in each of the next three years, compared to an annual growth of 3.9 per cent in Europe and 5 per cent in North America.

Airport overcrowding and various infrastructure bottlenecks threaten to hold up expansion. While Tokyo and other Japanese cities face the most serious airport problems Hong Kong, Bangkok, Seoul and Kuala Lumpur are already operating at or near full capacity. Iata says only two of the main air traffic "hubs" in the region - Taipei and Singapore - have the facilities to cope with the expected growth.

Mr Karmjit Singh, assistant director for corporate affairs at Singapore Airlines, says runway space shortages, a lack of sufficient parking at airports and inadequate terminal facilities are some of the more serious constraints on growth. "Airlines, airport authorities and governments have to get together to deal with these problems," said Mr Singh.

Airports are either being expanded or built at Tokyo and Osaka in Japan and at Seoul in Korea. Hong Kong still hopes to open its new airport by 1997 and Bangkok and Kuala Lumpur also have plans to build new airports.

The trouble is that if Iata growth projections are proved correct many of these new facilities will be operating at virtually maximum capacity from the day they open and increasing air cargo is going to add to the problem.



Singapore's Changi airport - newlyweds will soon be able to fly direct to their honeymoon in San Francisco.

Asia's airlines face other challenges. Maintenance facilities in the region are already solidly booked. While congestion problems are still not as serious as in Europe or on routes across the Atlantic, air traffic control systems in the Asia region need updating and co-ordinating.

Many airlines in the region have been forced to recruit expatriate pilots. Pilot shortage is particularly acute in Singapore and Hong Kong.

Aircraft manufacturers and leasing companies have been falling over themselves to cultivate connections in the Asian market. Boeing estimates that by 2005 the region will need nearly 2,000 new aircraft, almost 50 per cent of that number the large, long range types.

New airlines such as EVA in Taiwan and Asiana in South Korea have become important customers for the aerospace and leasing companies.

Most airlines in the region agree that the future lies not so much in Europe/Asia flights as in trans Pacific connections. Growing trade links across the Pacific plus a considerable population shift to the western American seaboard from Asia guarantees passenger growth in the years ahead.

Apart from developing ties with Asian partners in the regional airline business, the big aerospace companies are also seeking alliances in Asia in order to develop the airliner of the future - the 600-700 seat super jumbo capable of flying non stop across the Pacific, from Hong Kong or Singapore or Bangkok to Los Angeles.

Before too long those couples at Changi should be able to finish their airport wedding meal and fly direct to their honeymoon in San Francisco.

EC, US push for Gatt deal by mid-month

By David Gardner in Brussels

THE EC and the US intend to try for a breakthrough on the Uruguay Round world trade talks early this month, in time for endorsement by European Community heads of government at the Birmingham summit on October 16, should the talks prove successful.

European Commission officials in Brussels are approaching the meeting with the caution born of a series of previously-billed breakthroughs which turned into impasses, but with genuine belief that a deal could now be done.

"The political will is now there" to get through the farm subsidies maze which has held up the Round since the Brussels summit collapsed in December 1990, a European Community negotiator said last month.

In Washington, Mr Julius Katz, deputy US trade representative, said the United States was "neither optimistic nor pessimistic" about the possibility of a compromise over agriculture to move the Round ahead.

No meetings were scheduled, although "conversations" were continuing, he added.

EC officials disclosed the bilateral talks are provisionally scheduled for October 10 in Brussels. So far, they say, these would involve Mr Frans Andriessen, EC external affairs commissioner, Mrs Carla Hills, US special trade representative, Mr Ray MacSharry, EC agriculture commissioner, and Mr Ed Madigan, US agriculture secretary.

The talks are intended to exploit the so-called "window of opportunity" for settling the Round, between the French referendum on Maastricht on September 20 last, and the US elections on November 3.

In spite of EC-US brinkmanship in their worsening oilseed subsidies row, and a fast-fomenting dispute over steel subsidies which the Commission discussed yesterday, the main players on the Community side still believe a deal is possible.

On the row over oilseed subsidies, which a Gatt panel has twice condemned as against Gatt rules, the US has given the EC until noon today to agree to binding arbitration.

There are said to be several reasons for renewed political impetus towards a Uruguay round settlement:

- President Bush's wish to improve his fading chances of re-election, through what could be presented as an economic success for the US, which might allow him to present his opponent, Governor Bill Clinton, as a protectionist;
- The fact that the French referendum on Maastricht revealed France's farmers to be so alienated from EC farm policy that there is almost nothing President Francois Mitterrand can recover from this constituency.
- The EC's need for a success which could help it get member states' economies moving again and shift attention from the crisis over the Maastricht Treaty.

Taiwan's Gatt entry may depend on trade reforms

By Angus Foster in Taipei

TAIWAN yesterday welcomed the decision by Gatt's ruling council to consider granting the island membership of the world trade body. But analysts said Taiwan would have to agree to trade and other reforms for its bid to be successful.

Gatt agreed on Tuesday to set up a working party to consider the application. The group will review Taiwan's trade practices for up to a year, by which time the island will need a two-thirds majority vote from the full Gatt council.

Trade areas likely to be reviewed include Taiwan's high tariffs on agricultural imports, curbs on foreign involvement in securities markets and preferential government overseas procurement policies, which tend to favour the US at the expense of Japan. This is designed to cut Taiwan's trade surplus with the US, which stood at $8.2bn (£4.8bn) last year, and contain the island's $9.7bn trade deficit with Japan.

Officials said privately that joining Gatt would cause short-term harm to some Taiwanese companies, and is likely to be criticised by the local farming community. Farmers and forestry workers account for under 15 per cent of Taiwan's labour force, but are well organised and politically important.

Taipei is likely to push on with reform, since Gatt membership would boost its international standing. Because of opposition from China, Taiwan has full diplomatic relations with only 29 countries. China's application is being reviewed separately and is likely to be approved before Taiwan's, if only by minutes.

High-speed rail plan will link Oslo with Berlin

By Hilary Barnes in Copenhagen

DANISH, German and Swedish state railways plan to develop a high-speed rail system linking Oslo and Stockholm with Copenhagen, and Copenhagen with Hamburg, Berlin and Cologne.

The intention is to cut travelling time between the capitals by half or more, enabling the railways to compete better with air transport. Journeys from Stockholm to Berlin would be 6.5 hours and Oslo-Berlin 8.5 hours. The plan is estimated to cost DKr40bn-DKr50bn (£4.1bn-£5.1bn) over 15 years, including DKr15bn for a rail tunnel linking the south Danish island of Lolland with Germany under the Fehmern Belt.

Railways concerned are Deutsche Bundesbahn/Deutsche Reichsbahn, SJ, the Swedish state railway, and DSB, the Danish state railway. Only in the initial stages, the plan still requires decisions by the respective governments. Planners predict that with trains travelling at 200-350kph, passenger and freight traffic will increase dramatically.

Passenger traffic between Hamburg and Copenhagen, when the journey time is cut from five hours today to two hours, is expected to increase from 1m to 5m passengers a year, while freight traffic will increase from 8m tonnes to 20m-23m tonnes.

The link to Stockholm and Oslo will use the bridge across the Oresund, the straits separating Copenhagen and Sweden, which the Danish and Swedish governments are already planning to build, with completion due at the end of this decade. The plan requires new track between Copenhagen and Hamburg and a tunnel under the Fehmern Belt. A permanent link across the belt still needs Danish and German approval.

Hughes of US wins $258m Arab satellite contract

By Daniel Green

HUGHES Communications International of the US, part of General Motors, yesterday won a $258m (£150.8m) Arab satellite contract, officials from the Arabsat consortium said.

The decision is a blow to the two losers, British Aerospace and Aérospatiale of France. The contract was the only commercial deal left on BAe's prospective orders book, while Aérospatiale had won the previous Arabsat contract, still the only satellite built for a non-European buyer by a European supplier.

The deal consolidates Hughes' position as the dominant supplier in the world satellite communications market. The company has about two thirds of the market and an order book worth about $3bn.

Mr Saad bin Abdul-Aziz al-Bedna, Arabsat's director-general, said Hughes had won the contract after agreeing to lower its asking price to $258m from $267m and extend the operational life of the satellite to 15 years instead of 10.

The Arabsat board had requested the price cut late on Tuesday, Hughes said. The two Arabsat-2 satellites will be used for telephony, TV and data communications. They are likely to be launched in the mid-1990s on the Ariane rocket made by the French-led European consortium Arianespace.

THE NEW TOWNS OF BRITAIN

Thursday October 1 1992

● Scenes in some of Britain's new towns (left to right): Thomas Telford's statue at Telford Town; housing at Priorslee Village, Telford; Welwyn Garden City, Hertfordshire; Canon building at Livingston New Town; Henry Moore's Family Group at Harlow, Essex

Britain's biggest post-war initiative in social planning was the creation of 28 new towns to rehouse people from the squalor of the large city slums. **Michael Cassell** draws an end of century balance sheet of their achievements and drawbacks

From vision to reality

ALTHOUGH the last of Britain's new town development corporations was wound up six months ago, the arguments rumble on over whether the planners' original vision for giving millions of people a fresh start and a better quality of life was inspired or misconceived.

To the supporters of the new towns movement, whose principles reach back nearly 500 years to the urban squalor of Elizabethan England, its post-war progress represents a triumph in humane planning which remains equally valid today.

They argue that the new towns – originally conceived as safety valves to relieve congestion in London and to reduce pressure for green belt development – more than met their ambitious objectives. Their subsequent spread to most parts of the nation provides, they say, further physical proof of their value and appeal.

From Hemel Hempstead and Hatfield to Bracknell and Basildon, improved living conditions and employment opportunities were extended to people previously assumed to be inextricably bogged down in the grind of inner-city life.

In effect, many lower income families were able to swap run-down tenements and filthy air for open spaces, greenery and smart new homes.

An ever-present guiding principle was that a better physical environment offered not only visual and environmental advantages but could also help determine the very well-being of the individuals concerned.

The theory was not always sustained by the reality, at least in the short-term. The mass relocation of old, if disadvantaged, communities into unfamiliar surroundings replaced established social problems with fresh dilemmas.

There were no pubs or meeting places and many of the early pioneers quickly began to pine for the noisy neighbours and the shabby streets.

A sense of alienation and dislocation often flourished as the planners struggled to achieve their objectives. Their mistakes were invariably made at the expense of those who were unwittingly participating in the planners' bold experiment; many of the social problems indelibly linked with the inner city were replaced by new ones in the countryside.

Financially, the first generation of new towns, such as Aycliffe, Corby, Peterlee and Welwyn Garden City, were deemed to be a success, with surpluses regularly generated from the subsequent disposal of property assets.

Later towns, such as Runcorn, Skelmersdale, Peterborough, Warrington and Milton Keynes (the last new town development corporation to be wound up in England), were less successful financially.

Some of them were less favourably located and also suffered from a shift in government policy in favour of directing more funds towards the inner cities. The cumulative impact of financing revenue deficits at high rates of interest did not help. Neither did the towns always succeed in generating a sufficiently large and diverse economic mix to sustain their expanding populations. While some of the early towns were accused of having overlooked the rising car population, the later ones were criticised for having relegated human beings to second place behind the motor car.

Even so, there are those who persist in making out a well-constructed case for the development of another generation of new towns to add to the 28 developed in England, Scotland and Wales.

They point out that the format, far from being exhausted or rendered obsolete by fresh political priorities, could still provide a partial solution to Britain's pressing housing and urban problems.

The 1991 census figures have led the Department of the Environment to estimate that nearly 3m new dwellings will be needed in Britain by 2011, a total equivalent to the number of existing homes in the greater London area.

Advocates of more new towns claim that such a requirement cannot possibly be met from development within existing cities.

The Town and Country Planning Association supports those who claim there remains a strategic necessity for some newly-established population centres.

It believes more new towns could relieve the heightening development pressures on existing population centres and help prevent the blight of continuous urban sprawl.

A revised new towns programme to continue their development into the next century has been called for.

The only significant initiative intended to resurrect the new town concept in recent years came from the private sector with the formation in 1983 of the ill-fated Consortium Developments, backed by many of Britain's biggest house builders.

The group spoke enthusiastically of a mission to develop up to 200 new towns and villages offering a balance of housing and commercial life.

But in spite of encouraging noises from a succession of ministers, the consortium failed to win approval for any of its proposals. The final straw came at the beginning of this year when the Department of the Environment overturned its inspector's recommendation that a new village of 1,500 homes should go ahead in Cambridgeshire.

Consortium Developments withdrew, disillusioned with the planning system and critical of a government which it said had completely abdicated responsibility and left decisions to the vagaries of local politics. Some organisations, such as the Council for the Protection of Rural England, were glad to see it go.

The government may not have entirely closed the door on the prospect of more new towns – Mr Michael Heseltine, the former Environment Secretary, has hinted that a corridor of new towns could be developed to the east of London as part of a strategy to revive the area's economy.

It is clear, however, that the thrust of government policy for the foreseeable future will centre on the need for inner city revival, to be spearheaded by the new Urban Regeneration Agency.

The agency will take over the administration of the DoE's £4bn urban programme and will have extensive powers to develop tracts of derelict land which have so far defied both public and private sectors.

As for the new towns, some have undeniably acted as local economic "engine rooms" and provided a magnet for many overseas businesses establishing operations in Britain to gain access to EC markets.

The Commission for New Towns, which is responsible for disposal of new town assets and for completing their development, says that more than 1,000 overseas companies have taken advantage of the conditions they offer.

The Commission is hopeful that any improvement in Britain's exporting performance, brought about by the decline in the value of sterling, will bring in still more overseas companies to the 21 English towns under its temporary control.

The organisation now has a decade or more of life left in which it has to oversee the orderly run-down of the new town organisations and to return the assets left in their wake to the community which originally financed them.

With a booming property market for most of the 1980s putting a fair wind behind it, the Commission took a pride in meeting, without fail, its asset-disposal targets.

The remaining challenge of complete disengagement looks considerably more daunting, given the recession and its damaging impact on values and activity.

The Commission is in no doubt over the new town movement's historic success or the attractiveness of the communities it leaves behind.

But critics are equally adamant that the legacy is an unwelcome one and that any suggestion of another generation coming forward must never be allowed to take root.

Opponents talk of a failed, discredited, experiment in social engineering which cannot be repeated. Some support the views encapsulated in a leading article published in *The Times* to coincide with the 25th anniversary earlier this year of Milton Keynes, perhaps the most controversial of all the new towns.

The Buckinghamshire new town was described as "the last, desperate throw of a generation of British planners who were distasteful of the traditional British towns and cities and had the political power and public money to fashion the environment to their will".

According to like-minded critics, the new town movement was idealistic and authoritarian and, as importantly, contributed directly towards the decline and dereliction which today scars many of Britain's urban areas.

Residents, moved against their will into new environments with poor services, were seen as being at the mercy of the architect, while the countryside was despoiled and original settlements smothered.

The experts will doubtless continue to argue over the merits and drawbacks of Britain's biggest post-war initiative in social planning.

But Sir Geoffrey Jellicoe, one of the original new town planners, may be close to the truth when he says that, whatever the early failures, he doubts if many people who left Britain's cities for a better life would now wish to return to their old, inner-city slums or to a new high-rise flat.

IN THIS SURVEY

Michael Cassell on the agency which sells new town assets

The going gets tough

THE COMMISSION for New Towns is moving into perhaps the most challenging period of its finite life.

The agency was set up 30 years ago to sell off the assets left behind by England's new town development corporations. While it fulfilled its government remit well during the 1980s – helped for most of the period by a booming property market which devoured land and buildings and boosted values – the commission faces a much tougher task in the next 10 years.

Once regarded as an over-bureaucratic, unprofessional and unresponsive government agency, the commission has taken pride over the last decade in rebuilding itself into a commercially-oriented "street-wise" organisation.

By this year, it had sold assets worth nearly £2bn, peaking in 1990 at around £300m. But it still holds assets of an equal value and has to dispose of them in a climate which is likely to be far less accommodating than the 1980s. The commission's commercial credentials are about to be put through their hardest test.


Sir Neil Shields: 'does the Treasury understand markets?'

The property markets around which the organisation's activities revolve remain flat on their back. Yet the commission is still obliged to meet government-imposed asset realisation targets – now largely involving land rather than bricks and mortar – on a scale which will test its commercial expertise to the full.

The targets, after long discussions with the Department of the Environment held in the shadow of the Treasury, have in the last three years been revised downwards to take account of the economic climate. But they remain tough to meet.

The commission says that the DoE has been understanding about the impact on its activities of the worst recession since the war but it is less complimentary towards the Treasury, which demands its annual contributions to the exchequer from new town asset disposals.

According to Sir Neil Shields, commission chairman since 1981, "it is questionable whether the Treasury really understands markets at all, especially the property market. It has failed to appreciate our problems and tried to insist on impossible targets."

Sir Neil says that, for three years, the commission has been fighting against targets so unrealistic that staff morale would have been hammered if they had been accepted. "You would demotivate staff and create despondency and contempt", he adds.

The commission has, as a result, been forced to amend its corporate plan and to persuade the DoE to accept lower target figures. Even so, it has been touch and go: "We have had to work extremely hard in a terrible market, almost getting to the last week of the financial year before we were sure we would reach the target", Sir Neil says.

For three years, the commission has been objecting to Treasury-set targets which were so unrealistic that staff morale would have been hammered if they had been accepted

With the current year half completed, the commission expresses confidence about meeting this year's revised figure, though not without another struggle. The expectation is that 1992 will generate sale income of between one half and two-thirds of the 1990 peak.

Despite the pressures on it to perform on asset sales, the commission is statutorily obliged to strike deals at the best price reasonably obtainable.

According to Mr John Walker, the general manager: "It is a difficult balance. In the end, we have to make a judgment about selling now or waiting, while trying to disengage from new town assets as quickly as we can."

Beyond meeting asset disposal targets, the commission's task has recently been significantly amplified with the transfer into its control of Telford and Milton Keynes, the last English new town development corporation to be wound up.

Their inclusion has added huge tracts of additional land to the organisation's portfolio and handed it a development role which in other towns had been steadily dwindling.

In Milton Keynes alone, the commission has assumed responsibility for 2,000 acres of housing and commercial land carrying planning permission. Around one-third of the town remains to be developed, implying the creation of more than 40,000 jobs and around 20,000 houses – a challenge equal to developing from scratch a new town the size of Harlow.

In Telford, a similar acreage of land is also awaiting customers. "The chances of selling housing land in Telford in the next couple of years seem pretty remote. That's the sort of challenge we now face", says Sir Neil.

In response to the challenge, the commission is gearing up the biggest marketing and promotion initiative in its history. Historically, it has been successful in competing against the myriad inward investment organisations for its share of newcomers – more than 1,000 overseas companies are located in the new towns.

Armed with a £2.5m budget, the commission is planning a big promotional push in the Far East and the US, where it has already established agents to help get its message across to local business communities.

It believes that it has an edge on some of its British competitors: "We can offer 21 locations right across the country. We actually own the land and buildings we promote and can offer people the prospect of setting up without any delay," Sir Neil emphasises.

As at home, however, the success of the commission's global efforts will largely depend on a prevailing economic climate beyond its control. While the prospects of a cheaper pound may enhance Britain's status as Europe's most attractive inward investment location, the spectre of higher inflation could act as a counter-balance.

If the commission does its job well it could be left with a rump of unwanted assets sometime after the turn of the century. Whatever remains could then be auctioned off by government to the highest bidders.

As for the commission, its useful life should then be over. But not necessarily. As the most successful disposal agency in the public sector, it could still be given a new lease of life to oversee the orderly disposal of any other public property assets which a government wanted returned to the private sector. Those held by the present urban development corporations might be a candidate.

□ **Interview:** the Commission manager talks to **Michael Cassell**

To wind up an empire

THE MORE successful Mr John Walker is at his job, the quicker he will find himself looking for another.

As general manager of the Commission for New Towns, he is the man charged with day-to-day responsibility for winding up its £2bn land and property empire in England. The faster he fulfils his brief, the closer he gets to the day when he will have to find alternative employment.

As Sir Neil Shields, the Commission chairman, puts it: "The co-operation of our staff has been magnificent. All the time people are basically being asked to work hard at putting themselves out of a job."

The property recession means the process of asset disposal and development is likely to take longer than anyone might have imagined three or four years ago when deals were queueing up to be signed.

But, even so, the likelihood is that most work will come to an end within the next decade or so.

According to Mr Walker: "The finite life of the Commission is an important, ever-present factor for the staff but they handle it well. People obviously work against a background of longer-term uncertainty, but where there is any certainty of employment today?"

'More new towns are unlikely, but they have provided examples of good urban planning to be used elsewhere'

Mr Walker, a Mancunian by birth, was appointed to his job at the Commission in 1991, before he had fully relinquished his responsibilities as deputy general manager of Milton Keynes, the last new town development corporation which was wound up earlier this year.

He is fiercely protective of Milton Keynes, which has become the butt of jokes about soulless suburbia. For a start, he lives there and intends to keep his home there, even though it means his former, four-minute trip to work has been replaced by a much lengthier inter-city train and tube journey.

"There were, and remain, plenty of misconceptions about the place which are perpetuated by the media. But if we could persuade people to come and see the town, we reckoned we had done nine-tenths of the job. Business now recognises Milton Keynes as a complete success story, though many individuals still have an inaccurate image of it as a place to live."

Now 44, Mr Walker began his career in local government armed with a graduate planning diploma but became quickly disillusioned with town hall life and headed off to see the world.

When he ran out of money, he returned in 1975 and sought job references from two friends working in Milton Keynes. He took an economic planning post in the development corporation.

At that time, the new town largely comprised mountains of mud and earth. His early responsibilities entailed helping to plan for a balanced local economy, identifying areas for economic growth and devising programmes for attracting incoming investment.

Mr Walker reckoned he would stay for a couple of years at most. "I was open-minded, verging on the sceptical, when it came to new towns, not that I knew too much about them. I think I had visited Corby once."

The concept of new towns, however, quickly grew on him and Walker came to see them as "a highly relevant response to the mounting urban problems of the day".

In 1981, he was appointed director of planning, taking overall charge of strategic planning for the new town at a critical stage in its development.

Government policy towards the new towns was changing, with the first Thatcher administration reducing the flow of public funds and encouraging the private sector to take up the investment momentum.

Milton Keynes itself, however, was already beginning to emerge as a credible development location for the private sector.

In 1987, Mr Walker was appointed deputy general manager of the development corporation, the post he held until moving to the commission.


John Walker: 'bad jokes about Milton Keynes are unjustified'

With the commission poised to withdraw steadily from the communities over which it has had control for up to 30 years, diplomacy will be the order of the day as local councils regain some of the authority and responsibilities taken from them in recent years.

Mr Walker acknowledges that another generation of new towns is unlikely, although they have provided plenty of examples of best practice in urban planning which remain to be utilised elswhere.

■ THE LONDON RING

Utopias of yesterday

EVERY year, a class of 13-year-olds is thrown into confusion by the task set by a teacher in a smallish town north of London. "Find out when and why we were once the centre of world attention," she says.

A few will always scramble through sports encyclopedias. Did the local football team once beat the European champions? Others comb the newspaper libraries to suggest some forgotten accident or royal visit. The shrewd ones ask their parents.

Almost 50 years ago Stevenage was designated as Utopia. Enlightened land owners had been creating "new" towns for centuries. In fact, two garden cities were already established at Welwyn and Letchworth a few miles each side of the site off the the A1 chosen for Stevenage. But this was the first government-inspired bid to create a new way of life.

Sam (later Lord) Silkin, the "father" of post-war town planning, faced a similar audience to that teacher, but raised laughter rather than bemusement when he announced in the Commons: "Stevenage will in a short time become world famous. People from all over the world will come to see how we are building a new way of life."

But he was right. It dominated attention, if only because of anti-development passions as strong as anything seen today over plans to build on the green belt. Then Crawley, a little Sussex town of 5,000 people, designated next on the list took over the limelight, inspiring one angry protester to insist that 50,000 new people would spoil his enjoyment of sea breezes. The site is 25 miles from the coast.

To a 13-year-old there is little "new" in the ring of towns created in the late-1940s to rehouse bomb-battered and slum-debilitated Londoners. In fact it is only older residents and outsiders who still use the title. Development corporations have disappeared, leaving only the Commission for New Towns (CNT) to sell off remaining assets.

District councils have taken over the reins again, and new towns have merged with local economies. But most still perform the same function as when they were born, offering people and businesses an escape from the congested metropolis. Some, such as Bracknell, have attracted companies from even further afield. It is now a fully-fledged international office centre, boasting companies like ICI and BMW. More than 30 acres have just been acquired by 3M for a new headquarters.


Midsummer Boulevard, Milton Keynes: the newest of the new towns is still expanding

The very fact that these communities are now merged into their surroundings, however, means that not everything is rosy. Like the rest of the south-east they are weighed down with empty buildings and unemployment. But the burden is generally lighter than many older neighbours'.

"They all have modern infrastructure and good locations, which has attracted offices. But the workforce drawn out of London also drew a lot of industrial businesses," says Stephen Mallen of Knight Frank & Rutley Research. That has produced not only a wide economic base, but one more resistant to the service-sector recession which has hammered major office centres.

Basildon, where the original small town has been quadrupled to more than 100,000, looks to Tilbury Docks and Ford Motors. Northern Telecom had enough confidence to pay CNT almost £4m for its freehold in the Pipps Hill Industrial Area this year, while Colour Court Properties spent slightly less on the former Carreras Rothman playing fields at Nevendon, and Wilcon Homes laid out more than £3m for land at Dunton Hills. The commission is down to its last major town centre site, although it has large amounts of land to develop.

Crawley grew from bare fields to almost 56,000 people, many of whom draw a living from nearby Gatwick Airport and its massive warehousing developments. A pension fund has recently invested more than £9m buying half the Martlets shopping centre.

Harlow, another greenfield development now boasting a population of more than 72,000, also has an airport, Stansted, on the doorstep. But it has seen a significant office expansion as well by General Portfolio over the last year. "This is significant because it shows that new towns can hang on to firms which may have been attracted by grants or other incentives," says Mr Mallen.

Hatfield is one of the smaller centres, with only around 25,000 inhabitants. Until last week, its long-standing ties with British Aerospace had provided a solid base. This has now been shattered by BAe's decision to close its plant there with the loss of 2,000 jobs. There are also long faces over the huge Galleria shopping centre, which seems to have failed because it aimed too far up market for the local people.

Hemel Hempstead (pop. 77,000) – technically an expanded rather than a new town – and Stevenage (pop 76,000) both have strong industrial bases liberally scattered with electronics and other new technology which have helped ease the pain of recession. Sovereign Land bought shops and flats in central Hemel for £7m and Burford Group paid CNT more than £2m.

Welwyn (pop 40,000), the last of the London ring, could claim to qualify as the first, as it was a new town long before the others were even thought about. It was set up by the movement's pioneer, Ebenezer Howard, in the 1920s, and therefore has a solid industrial base as well as pleasant surroundings.

At the other extreme, almost touching the Midlands, stands Milton Keynes, which came along 20 years after the ring was formed and proved the last UK new town. In fact, it is more a city, with more than 150,000 people. Numbers are still growing, with an influx of more than 2,500 last year drawn by a broad economic base which has helped ease the pain of recession by keeping unemployment almost two points below the national 9.5 per cent.

The private sector has taken this giant baby to its heart, investing almost £365m last year. Of the £3.2bn spent since this "third generation" new town was set up in 1967, some £2.6bn has come from private investors. The aim is to create another 35,000 jobs and raise the population above 200,000. Transfer to the NTC this year (discussed in the Midlands article on the facing page) has also opened a new chapter for the commission, as it works through the final stages of selling off the remaining assets.

David Lawson

■ THE NORTH-WEST

Inside the triangle

IT IS the motorway network which explains the rationale, location and the success of north-west England's four new towns.

The network is probably the most comprehensive in Britain and puts Manchester, Liverpool and Preston within about 45 minutes of each other. The new towns – Warrington, Runcorn, Skelmersdale and Central Lancashire – have filled in the triangle which these main regional centres form.

The triangle has Preston at its apex and Liverpool and Manchester at the other two corners. It is bisected by the M6 and has the M62 transpennine motorway running along a double baseline with the M56, which runs parallel to it south of the Mersey.

The network as a whole has been gradually developed over the last 25 years and most of its links are now complete. The new towns have been built on existing communities at strategic nodes of the motorway network.

For example, Warrington is at the crossover point of the M6 and M62, while Runcorn is on the M56 near where the Mersey and Manchester Ship Canal are crossed by road and rail bridges.

All are in the M6 corridor, Skelmersdale at the motorway's junction with the M58 link to the Port of Liverpool and Central Lancashire – comprising mainly Leyland and Chorley – actually straddling the motorway, with its eastern sections fitting neatly between the M6 and the M61.

The result is that people living in Warrington, Skelmersdale, Leyland, Chorley or Runcorn can commute easily almost anywhere in the region; rush-hour queues on all the motorways suggest that many do. Finding work locally is, therefore, not necessarily crucial, although all the new towns have fared reasonably well in being able to provide it.


Warrington's Westbrook Centre: commuter country

Location has been the crucial benefit to offer inward investors. Financial assistance has also helped – and still does in Runcorn, which is in the Merseyside catchment area for special selective assistance. This has helped attract several US and German companies.

However, the investment record of companies around Warrington in particular emphasises the value of quick access to markets by road, rail or through Manchester Airport, only 20 minutes away.

A circle of 200 miles radius drawn on Warrington takes in 97 per cent of Britain's population; the distribution industry was quick to take advantage of the benefit, as Warrington's vast complexes of warehouses prove.

Total population growth in the four towns has been dramatic: they had a little over 395,000 people between them when the programme started but the latest figures show them now approaching 560,000, a rise of more than 40 per cent.

Many are young married couples raising new families. Not everything has been wonderful: the late Sir James Stirling, the celebrated architect, had a notorious failure at Runcorn, where a large public sector housing estate designed for Liverpool's overspill became known as "Legoland". Crime-ridden, and with social and constructional defects, it had to be abandoned.

Skelmersdale also had problems, including vandalism, now largely solved by redesigning the configuration of housing estates to encourage neighbourliness.

Whether the new towns genuinely create new jobs in a region or just relocate them from old conurbations such as Merseyside and Greater Manchester has always been a moot point among politicians. However, the list of companies based there is impressive and many would almost certainly have never expanded in, say, Liverpool, had the new towns not been there.

Warrington and Runcorn – which combined their previously separate new town administrations in 1981 – claim 63,000 new jobs, many at such giants as Digital Equipment, Goodyear, Coca-Cola, Nacanco, Guinness, Nestle, YKK Fasteners, British Nuclear Fuels, the UK Atomic Energy Authority, Securicor, Schreiber, British Gypsum, Rowntree Mackintosh and Safeway.

This is a comprehensive spread for two towns known chiefly for chemicals, brewing and making wires. Moreover, the big companies support a network of suppliers or – in the case of the nuclear industry – high tech service, design or consultancy businesses staffed by highly paid professionals who make a disproportionate contribution to the local tax base and spending power.

Skelmersdale, once a small community of 10,000 people between Ormskirk and Wigan, is now more than four times bigger and has created 12,000 jobs in sectors such as automotive, electrical and chemical engineering, electronics, textiles, plastics, cosmetics, pharmaceuticals, food processing, banking and distribution.

Leyland and Chorley already had an automotive industry – a troubled one – but the Commission for the New Towns says there are 18,000 new jobs there, in spite of the restructuring that has hit the buses and truck industries. Foreign investment has come from the US, Germany, Japan, France and Portugal.

Ian Hamilton Fazey

■ THE NORTH-EAST

Between Tees and Tyne

CAR MAKERS Nissan, semiconductor manufacturers Fujitsu and bearings producers NSK have more than Japanese ownership in common.

All three have big European manufacturing plants between the Tyne and the Tees, in the three former new towns of Washington, Aycliffe and Peterlee.

The plants' proximity is not a coincidence; the positive experience of NSK, north east England's first Japanese company when it set up in Peterlee in 1976, was influential in Nissan's choice in 1984 of Washington for its European car plant, at £900m Europe's biggest single Japanese investment.

In 1989, the growing number of Japanese companies operating successfully in north east England was a factor in Fujitsu's choice of Aycliffe for its £400m microchip plant. So too – as well as the clean water needed in microchip manufacture – were good road communications, a greenfield site and the availability of suitable labour.

The new towns are islands of success in an area of unemployment

It is sobering, however, to reflect that after the decades of effort and money put into creating these three new towns, even after their proven success in attracting inward investment from many countries and fostering home grown companies, their areas suffer unemployment well above the national average.

Without the towns, the painful consequences of the rundown of traditional heavy industries would have been much more acute.

But although the three fought successfully to postpone their winding up until 1988, Peterlee especially could argue that the end of new town status came much too soon.

Created in 1948 to offer better housing for miners' families and jobs for their wives, Peterlee's job creation remit broadened as the Durham coalfield declined. By 1988 its industrial estates provided more than 7,000 jobs. Yet, says East Durham Development Agency chief executive Mr Eddie Morley, the town cannot keep up with the new tide of pit closures.

In the last 18 months two collieries have closed in East Durham, where Peterlee is located, costing 2,000 jobs, and the district's last two, together employing 2,400, are under threat.

Moreover, Peterlee faces stiff competition for investment from the new Enterprise Zone in nearby Sunderland and two government-funded Development Corporations, in Tyne and Wear and Teesside. And Easington district council is still having difficulty maintaining the new town's flat-roofed housing.

Peterlee and Aycliffe, near Darlington, each has a population of about 25,000. At winding up, Aycliffe, designated in 1947, had just under 10,000 jobs. Today it has 9,700, having suffered several substantial closures including GEC's telephone handset plant, since refurbished and relet to a number of smaller companies.

On the plus side, Aycliffe has Fujitsu, employing 425 in a plant in which £240m will have been invested by the end of 1992. The company hopes eventually to employ 1,200.

Unified in 1963 under a single development corporation, Peterlee and Aycliffe's residual assets are now owned by Helical Bar. About 150 acres of industrial land remains on Peterlee's estates and 40 acres at Aycliffe's. Asking price is £60,000 per acre.

Washington, designated in 1947, now forms part of the borough of Sunderland within Tyne and Wear. The capture of Nissan was a team effort by North East councils, economic development bodies and trades unions. The project has had tremendous impact on the entire region, by creating jobs, boosting morale and influencing attitudes to quality and working practices.

The Nissan plant, due to employ 4,600 at Sunderland by the year end, is now one of north east England's largest workplaces, exporting 80 per cent of its cars to 30 countries including Japan. Another 1,400 people work on the £900m site in related ventures.

Other Washington employers include outdoor clothing manufacturers Berghaus and hologram specialists Applied Holographics. The town's residual assets are managed by the Commission for the New Towns.

Substantially bigger than Peterlee and Aycliffe – its population is now 61,500 – Washington has a larger shopping complex, the Galleries.

Strategically located near the A1(M) and A19, Washington is also currently a focus for new hotel development. Campanile UK is building an 80 bedroom hotel. And imposing Usworth Hall, once the National Coal Board's regional base and then Washington Development Corporation's HQ, was in July sold for £3.5m to Persimmon Homes (NE) and DJA Properties. The purchasers plan to turn the hall into a luxury hotel and build houses in its grounds.

Chris Tighe

■ THE MIDLANDS

Slow-moving assets

TELFORD and Milton Keynes provide the most strenuous challenges for the Commission of New Towns in its efforts to dispose of public assets in the new towns of the Midlands. The two are the latest and last of the CNT's responsibilities in the region.

CNT took over the activities of the respective development corporations at Telford last October and at Milton Keynes last April. The timing was difficult. The pace of asset disposals has slackened with the recession and although activity continues it is slower than two years ago.

"The slowdown in the last year of the development corporation has carried through into the CNT's first six months," said Mr John Napleton, the CNT executive officer in Milton Keynes. "The world economy is not helping us. Having said that, we've been some years with the present recession and 9.5 per cent unemployment is beneath the regional average," said Mr Chris Mackrell, CNT's officer in Telford.

The two towns have much in common, despite their geographical differences and despite the fact that Milton Keynes is a brand new town while Telford new town is welded to old Telford. Indeed, they compete in the same market for relocating companies.

Both seek to attract companies which are looking for greenfield development sites, outside the major conurbations. As such they play on a continental rather than a local scale.

"One of the characteristics is the number of companies which have said 'it's between you and Spain, you and Luxembourg; I can't recall anyone saying its between you and Birmingham, you and Wednesbury'," observed Mr Mackrell.

Just as Milton Keynes is particularly keen to attract what Mr Napleton called "light clean industry with a high number of employees," or more of what has arrived already, so Telford is in the same position. In fact, the arrival of companies in the plastics and electronics sectors has widened the economic base of the town.

Telford's position on the western side of the West Midlands means inevitably that its land prices at around £130,000 an acre are less than those of Milton Keynes, which is more susceptible to London influences. Here the rate is more like £250,000 an acre, but that itself is some £50,000 less than it was two years ago and is lower again than the current price level in Northampton, where the CNT also has asset disposal responsibilities.

Telford competes with Milton Keynes for relocating companies

It is the size of the CNT land banks in Milton Keynes and Telford – about 2,000 acres in each – that sets them off from other CNT operations in the Midlands.

This is not to suggest that Milton Keynes and Telford have no buildings for sale. They do, and in that respect they are in the same position as Corby, Northampton and Redditch.

But the work of the CNT in Corby, Northampton and Redditch is not now so significant in scale as it is in Milton Keynes and Telford. In Redditch, for example, the CNT has a £50m portfolio of assets, but it has already realised more than £70m from sales. In Corby there are isolated premises for sale and some 90 acres of sites for industrial development. Likewise in Northampton there are isolated premises, but the focal point of the CNT portfolio in the town remains about 600 acres of land, a significant amount but small in comparison with the quantity available in Milton Keynes and Telford.

The focus of the CNT activity is now almost wholly commercial property. Ballots among the tenants of rented housing established by the Milton Keynes Development Corporation expressed a preference for the transfer of property control to the Milton Keynes Borough Council. This allowed CNT to disengage from the public housing sector.

But it remains a responsibility of the CNT to promote the towns, where it has interests, as developing commercial centres. In both Milton Keynes and Telford it has sought to involve local organisations in the practical work of marketing. To that extent it plays a more subdued role than the former development corporations.

In the case of Telford, it has combined with bodies such as Wrekin District Council and Shropshire County Council to form the Telford Development Agency. In the case of Milton Keynes, it has adopted a similar partnership with local authorities.

These respective bodies will have a difficult time until the international economy shows stronger signs of sustained growth. But they work against the background of a stable local infrastructure.

Paul Cheeseright

THE NEW TOWNS OF BRITAIN 4

BRITISH new towns conjure up the whole range of architectural visions of the second half of the twentieth century.

In fact, their architectural origins go right back to the early days of new town propaganda when Ebenezer Howard published his manifesto about garden cities in 1898, *Tomorrow : A Peaceful Path to Real Reform.*

This book was full of utopian ideas about town planning based upon Howard's own version of what he called, "Common sense socialism". Ebeneezer Howard was to go on to found in the early 1900s his First Garden City Company and to assemble the land and devise a plan for the building of Letchworth Garden City in Hertfordshire.

To plan the very first British new town Howard employed the services of Barry Parker and Raymond Unwin, two very young architects who were responsible for the physical form of Howard's socially reforming ideas. Gardens and landscape were almost as important as the architecture – indeed the main architectural virtues of Letchworth are to be seen in the modest and sensibly planned traditional houses.

Architects involved in the early days of the garden city movement were responsible for building the visions of practical idealists. At Letchworth and later at Welwyn Garden City the architecture definitely takes second place to the planning of interrelated housing and industrial areas.

Most new towns are notable for their unmemorable architecture, says **Colin Amery**

The rural fabric of domesticity

Domestic architecture is agreeable and modest in these towns and the public buildings are mainly traditional and unadventurous. The mission of the early new towns was not to create architectural monuments but to provide good simple homes with gardens and easy access to the workplace.

In Britain, the first new towns were far from the forefront of 20th Century architecture. There is little sign of the influence of the International Modern Movement or of pioneers such as Le Corbusier in the British new towns until well after the second world war.

Harlow new town in Essex was one of the first towns to acquire a distinctive architectural character. The architect for the town was Sir Frederic Gibberd, probably better known as the architect of Heathrow Airport and the wig-wam shaped Roman Catholic cathedral of Christ the King in Liverpool.

He had very strong architectural ideas and introduced the first tower block of flats into a new town. Harlow was designated in 1947 and its town centre has some of the modern sentimentality of the early 1950s. The sentiment comes in modern interpretations of traditional market square and clock tower.

The atmosphere of the new towns of the 1950s was that of the Festival of Britain – a sort of spiky contemporary architecture and a child-like use of primary colours. Harlow, however, did pioneer the commissioning of works of art and is now famous for its outdoor sculpture collection.

The public buildings are mainly traditional and unadventurous, since the mission of the early new towns was not to create architectural monuments but to provide good simple homes with gardens and easy access to the workplace

Stevenage, Crawley, Bracknell, Basildon, Hatfield, Hemel Hempstead and Welwyn. Newton Aycliffe and Peterlee all belong to the English first generation of new towns being designated in the 1940s. They are all architecturally unmemorable.

Of this first wave only Peterlee had a distinctive architectural agenda. The emigré Russian modernist architect Berthold Lubetkin, famous for the penguin pool at London Zoo, was brought in to design the town. His proposals were imaginative and very promising essays in abstract modern architecture. But Lubetkin fell foul of the elaborate committee system that tends to dog any major public enterprise in Britain and felt obliged to resign. He was not prepared to compromise on his distinctive architectural designs and so Peterlee lost the chance to be an uncompromisingly modern new town.

Of the second wave of new towns (late 1950s and early 1960s) it was Cumbernauld in Scotland – commissioned in 1955 – that took the opportunity to have a remarkable town centre design that separated the motor car from the pedestrian and effectively made the whole town centre one large megastructure.

The architects were a firm called Wilson and Womersley. Their design was based on the wish to make the town easy for the pedestrian. The vast town centre on a hilltop has never won many architectural plaudits. The use of concrete as the main material was an unwise choice for the Scottish climate and the centre has weathered badly.

It has been left to Milton Keynes, Britain's largest new town founded in North Buckinghamshire in the 1960s, to be the one town that had produced architecture and landscaping that could be considered remarkable.

The appointment of Fred Lloyd Roche and Derek Walker to head up the development team of architects created an unusual architectural climate in the new city. The Development Corporation built up a very strong team of architects so that a great deal of the new architecture was designed "in-house".

The main manifestation of this policy is the great shopping centre that is one giant mall. It is designed in a simple and elegant way – unremarkable outside but beautifully planted and finished internally. Two things particularly distinguish Milton Keynes – its grid plan of roads – designed by the master planners Llewelyn-Davies, Weekes, Forestier Walker and Bor, and the quality of its industrial buildings that were all supervised by the Development Corporation architects.

On the housing front the town is also interesting being built at a time when private housing played its part in the growth of the city. A wide range of architects and developers built housing in the city including Sir Norman Foster and Ralph Erskine. There are no monuments in any of the new towns – Milton Keynes is remarkable for a Buddhist Temple and a domed ecumenical church in the very centre of the town.

Architects played their part in the development of the new towns but it has to be said that the British wish to live in green places that may well appear suburban is what has won the day in the new towns. Their mixture of uses makes them urban but in appearance and spaciousness they are not so much towns as new suburbs.

The British like the idea of the country in the town and Milton Keynes has achieved this to an unusual degree. Although Milton Keynes has very good architecture – it has millions of very good trees. These make the town almost invisible from the roads – and perhaps it is true of almost all the towns that the landscaping puts the architecture in its place.

■ SCOTLAND

When push comes to shove

SCOTLAND'S five new towns *are not going to go quietly.* Their key role in economic development distinguishes them from their English counterparts and has made phasing them out a difficult task for the Scottish Office.

East Kilbride, Cumbernauld, Livingston, Glenrothes and Irvine have been instrumental in the industrial transformation of Scotland. They have been the magnet for inward investment providing professional, centralised and comprehensive handling for relocations particularly in the high technology industries which have replaced some of the heavy industries which have died away.

The government has wanted to absorb the five new towns in its restructuring of industrial promotion in Scotland. But the industrial culture, as well as the physical property, of the five is proving hard to swallow and the government's initial enthusiasm for the idea seems to have waned.

What is more, the new town Development Corporations themselves have made it quite clear that theirs is a difficult act to follow especially if the towns' role in promotion is to be taken up by the private sector as planned.

"It is a strange concept that we are to disappear without trace and no-one is to notice that we have gone," says Mr Martin Cracknell, chief executive of Glenrothes in Fife. "It is difficult to see how others could do our work. We do things here that are not commercial and which would not get done if commercial forces were left to handle it."

Among the new Development Corporations is a feeling that the expertise they have collected may be wasted and that the government is re-inventing the wheel in hoping that this know-how can easily be picked up by the network of new Local Enterprise Companies.

The five towns have had a greater economic role than their English counterparts

The LECs are private organisations with public sector funding and are part of Scottish Enterprise, the de-centralised successor to the Scottish Development Agency.

The readiness of the LECs to take the residual assets of the Development Corporations seems mixed and many are fully stretched already coming to grips with their remit to encourage local enterprise.

In its white paper *The Scottish New Towns: The Way Forward* published in 1989, the Scottish Office floated the idea of management buy-outs for the teams running the new towns.

"A development company set up through the management buy-out option would allow invaluable experience of the staff to be retained and more widely applied in the private sector," it said.

This idea appears to have become partially unstuck over the disposal of the considerable assets of the new towns. In May, the *Herald* newspaper in Glasgow got hold of new Scottish Office guidelines issued to the new towns which ordered them to "maximise disposal receipts" for land and property.

This would make it nearly impossible for a management buy-out to be sympathetically considered by government because a new town management might not be able to produce the best price for its land and buildings.

Possible conflicts of interest might also arise as the new towns would be selling their own property. There is a feeling among new town executives that the government is demonstrating how much intense scrutiny it faces over the disposal of public assets and that the Scottish Office has gone off any sell off that would not get the best price.

The new Scottish Office guidelines, issued just before the General Election, say that the appropriate asset base for any one taking on where the new towns left off would be a portfolio made up largely of development land and part-developed estates.

This effectively leaves the present new town management with the option of selling themselves as largely service companies or consultants to the Local Enterprise Companies. Corporation staffs will be cut from several hundred to possibly under 20.

The *Herald* disclosure has already provoked anger in the opposition Labour Party. Mr Alex Smith, a Scottish Euro MP, has demanded that before any new town assets could go to the Treasury the European Commission would have to be repaid for any development it backed in the new towns.

The matter has more time to stew for some of the new towns than others. Last February the Scottish Office issued the winding-up date for the five new towns. East Kilbride and Glenrothes are to go on December 31, 1995; Cumbernauld on December 31 1996, Livingston on December 31 1998 and Irvine on December 1999.

"We are lucky that everyone has until 1998 to consider the implications," says Mr James Pollock, chief executive of Livingston Development Corporation. Livingston has more undeveloped land than the older new towns and could fit in with the revised government thinking.

"The new towns have been successful in their ability to work in a local area. We have a total team package able to focus on specific areas needing regeneration," Mr Pollock adds.

Livingston has been successful in attracting inward investment in Scotland. It now has more than 400 resident companies and 42 per cent of these are in manufacturing.

Mr John Shaw, the managing director of East Kilbride, warned that £100m of public and private investment will be withdrawn from his Lanarkshire area in the wind-up.

"I would very much like to see new systems credibly in operation before the new towns are dissolved. It would be a tragedy if this experience is lost to Scotland," he says.

The Scottish Office will find it difficult to phase out these magnets for inward investment

East Kilbride started in 1947 with a population of 2,000 and now has 670,000 inhabitants. It was first set up to relieve congestion in nearby Glasgow and created 32,000 jobs.

East Kilbride has returned an operating profit for the past 23 years and created assets worth £220m.

Mr Shaw's administration approaches wind-up without any debt to hand on to his successors.

"The more difficult and worrying task for the future is to ensure that the domestic and international business built up in the new towns is sustained and developed," he says.

"Scottish new towns have been the most consistently successful urban development initiative of the post-war era in any country in Europe. All of them are committed to Scotland and to support local economy where we live and work. We hope very much that we have the opportunity to contribute to those areas following the wind-up."

Mark Meredith

Barbara Casassus on why the French new towns are different

Strong local control

FRANCE has still not resolved the problem of social unrest in impoverished suburbs, but it is breathing more easily over its 20-year-old experience of new towns.

There are now seven new towns in France, of which five ring the densely packed capital of Paris. The two others are outside Lyons in southern France and Marseilles on the Mediterranean. The one outside Lille in the north became part of the city in 1982, and one near Rouen was scrapped at the end of 1988 after running into development problems.

The statistic the authorities are most proud of is that the number of jobs matches the size of the workforce living in most new towns. This is against a backdrop of an unemployment rate of about 10 per cent. Seven years ago, no-one was counting on achieving this goal.

Although initially France modelled its new towns on those in the UK, several differences have emerged in subsequent years. Here, new town planning and management have become much less concentrated in the hands of central government since the decentralisation of power began 10 years ago.

For the first 10 years, social housing represented about 90 per cent of the total. But now, about two-thirds of the housing is developed by the private sector, whereas the public sector still dominates in the UK. It is estimated that every French franc of state cash generates up to FFr10 of private money poured into property, industry and other economic activities.

Another important difference between the two countries was that the French new towns were carved out of agricultural land at least 25 kilometres from the nearest town, whereas in the UK they were built alongside industrial conurbations. For the French this meant that the basic infrastructure also had to be provided.

Universities are being built for the second generation of residents in and around the towns

Social diversity has come to new towns in France with the arrival of large corporate enterprises. The foreign companies are mostly American, Japanese and German, and include IBM, Hewlett Packard, 3M and Honda.

Despite doubts at the start, senior executives have opted to live in the new towns, where all the facilities required for them and their families are close at hand.

Universities too are being built to cater to the second generation of residents in and around new towns. One of the difficulties facing the student population is the lack of suitable housing. In the absence of rooms to let, the authorities are looking for a new concept.

Four universities will be operating this academic year, and will welcome a total of nearly 4,000 students. The 1995 target is 10,000 in each establishment, which concentrate on science and technology, economics and law, and will offer all levels of degree.

Thought is also being given to retirement homes to fill in another remaining social gap. Contrary to expectations, people are putting down roots, and are creating true communities.

Today the new towns in France house about 800,000 people and provide jobs to 300,000. The five around Paris are at different stages of development. Evry and St. Quentin-en-Yvelines are almost finished, whereas Marne-la-Vallée, which is also home to the EuroDisneyland theme park, is expected to take another 15 years to complete and Melun-Sénart another 20 years.

Recently, one could be forgiven for believing that nothing happened in Marne-la-Vallée until EuroDisney arrived. But already FFr5bn a year has been invested there in the past decade. With the theme park, the new town is the second largest building site in France after the Channel Tunnel.

Until the end of 1991, investments in French new towns held up better than in other areas of the Paris region, according to M. Gilles Carrez, secretary-general of the governmental Groupe Central des Villes Nouvelles.

Since then, the pinch has been felt in office and upper range residential property. But the equivalent of council housing and lower priced private homes remain relatively healthy.

The fear now is that the continuing drop in land and property prices will narrow the difference between those prevailing in new towns and other parts of the capital area.

Meanwhile, lessons have been learned from the mistakes of the 1970s, when split-level urban planning was in fashion. Now there is a return to more traditional ideas of town centres. Those to be developed in St. Quentin-en-Yvelines and Melun-Sénart will even include hypermarkets in order to integrate them into the overall scheme of shopping. This will increase development costs sharply, but the human gains are expected to outweigh the financial outlays.

Move follows £31m operating loss for first six months and job cuts at Ford and Rolls-Royce

Rover imposes six-month pay freeze

By Kevin Done,
Motor Industry Correspondent

ROVER, the UK car maker and a subsidiary of British Aerospace, is imposing a six-month pay freeze on its 34,000-strong workforce, including directors and senior managers.

Mr John Towers, group managing director, said the freeze was necessary to "help protect the company from the worst consequences of the recession".

The announcement came as other companies announced more job losses, on top of more than 4,500 announced on Tuesday. IBM said the UK share of its worldwide job reduction programme would be 600 jobs from its 26 sites, including its Portsmouth headquarters and manufacturing plants at Havant, Hampshire, and Greenock, Renfrewshire.

Boulton and Paul, one of Britain's largest joinery companies, said it would close 18 sales centres, with the loss of 387 jobs at sites including its Norwich headquarters, its sites at Maldon, Essex, Lowestoft, Suffolk, and Melton Mowbray, Leicestershire. Sales centres would also be closed.

Research Machines, the computer manufacturer, is to cut 120 jobs at Didcot and Oxford. Other job losses include 50 at Yardley Lentheric, the perfume and soap company, at Basildon, Essex; 90 by Eastern Electricity in its contracting division and 65 by Sunblest Bakeries, which is to shut down half its bread production in Bradford, Yorkshire.

The Rover pay freeze comes a week after it announced a £31m operating loss for the first six months of the year and follows moves last week by Ford and Rolls-Royce Motor Cars to cut 2,500 jobs as the recession continues to take a heavy toll on the British motor industry.

Mr Tony Woodley, national officer of the Transport and General Workers Union and trade union chairman of the Rover joint negotiating committee said Rover workers had only recently accepted sweeping changes in working practices, which had been agreed "outside the normal pay and bargaining round, with no extra cash being paid. To further penalise a workforce by a pay pause, which in any other words is a pay cut, is not acceptable."

Mr Towers said Rover's costs were still too high. The freeze was "not negotiable". Rover was upholding the job security commitment it made as part of its "new deal" reforms in working practices.

The trade unions had been due to submit a pay claim next week. Rover intends to press ahead with the negotiations, but any increase agreed will not be implemented until May 1 next year.

Rover workers received an 11 per cent rise in November 1990 and a 7.5 per cent increase in November 1991. The average production line worker earns around £240 a week.

The company's 250 senior executives and directors last received a pay increase in January 1991 – their pay review due in January is to be postponed for six months. The remuneration of the highest paid director was reduced by 2.6 per cent in 1991 to £159,435 from £163,708 a year earlier.

Bribery of BR staff alleged

By John Mason

BRITISH Rail officials were bribed with holidays, lavish meals and trips to continental night clubs over a ten-year period to help Plasser Railway Machinery GB, the rail maintenance suppliers, win contracts from BR, an Old Bailey jury was told yesterday.

The widespread bribery was a systematic attempt to corrupt many staff within BR's civil engineering department. Far more people had been involved than the three men on trial, the court was told.

Plasser Railway Machinery (GB), Mr Norbert Jurasek, the company's managing director and Mr Michael Brooks, Plasser's company secretary, all deny nine charges of offering bribes to Mr David Currie, a former head of BR's civil engineering department in order to win BR contracts.

Mr Currie denies nine charges of accepting the alleged bribes which included air tickets from London to South Africa, Chicago and Dublin, a trip on the Orient Express, a case of champagne and a ticket to watch rugby at Twickenham. All three men and the company also deny one charge of conspiring to corrupt other BR staff.

Opening the case for the prosecution, Mr Michael Worsley QC said the nine transactions before the court were "a mere sample" of what took place between 1978 and 1988.

"If there were a charge on the indictment for every transaction of giving and accepting the courtroom would be full of defendants and the indictment would be a mile long," Mr Worsley told the court.

Mr Jurasek and Mr Brooks were being prosecuted because they were "at the heart" of what had happened. Mr Currie was the only BR employee to be prosecuted since he had taken more gifts than anyone else and was the most senior BR employee involved.

Mr Currie received his first gift from Plasser – which depended on BR for 95 per cent of its business – in 1978 when, on a trip to Malaysia, the company took him out to dinner.

In 1985, Mr Currie became the head of BR's civil engineering department and benefits to him came in a "flood".

No company would have paid for as much as Plasser had without expecting something in return, Mr Worsley said.

The trial continues today.

Baroness Thatcher was installed yesterday as Chancellor of Buckingham University, Britain's sole private university. She praised Buckingham as "a pioneer others are likely to follow"

Britain in brief

Rescue talks for MMI break down

Municipal Mutual, the stricken local authority-owned insurance company, has ceased to sell policies after acknowledging that rescue talks with a French insurer had broken down.

Existing policies will remain in force, although MMI is placing a seven-day moratorium on claims payments while it explores arrangements which would allow it to meet future claims.

The announcement, prompting criticism of the government's role as insurance regulator, ends a confusing few days during which MMI continued to insist that negotiations with Paris-based The Garantie Mutuelle des Fonctionnaires would take place despite pronouncements by the French company on Monday that it was no longer interested in acquiring MMI's business.

Setback for orimulsion plan

Moves to introduce the controversial fuel orimulsion into Britain received a setback when UK pollution inspectors indicated to National Power that they will not approve it without further environmental measures.

National Power has been seeking permission to burn it at two of its power stations, at Padiham and Pembroke. The company has asked the inspectors for more time to reformulate its application.

DUP re-enters Ulster talks

The pro-British Democratic Unionist Party resumed its place at the negotiating table during talks on Northern Ireland's political future.

The Reverend Ian Paisley joined Irish and British government representatives and delegations from the Ulster Unionists, Social Democratic Labour Party and Alliance parties at the Stormont gathering outside Belfast.

It was not immediately clear how long he would stay after boycotting last week's three day session in Dublin because insufficient priority had been given to the issue of the Irish government's constitutional claim over the province.

Output falls to new low

Manufacturing output is at its lowest level for over a year and new orders remain weak, according to a survey of UK purchasing managers.

The survey showed that the purchasing managers' index – based on a weighted average of the movements of a number of variables such as new orders, output and employment – fell to 45.1 per cent last month from 45.4 per cent in August and 48.0 per cent in July.

The fifth successive monthly fall confirmed suspicions that the recession was "far from over", according to the Institute of Purchasing and Supply.

Inspectorates may be sold

The government is considering the partial privatisation of the health and safety inspectorates, according to an internal Health and Safety Executive document.

The HSE confirmed that the government had asked advisers to examine the feasibility of extending market testing – which tests the suitability of public services for contracting out – to the regulatory functions of the HSE.

Lead emissions fall sharply

Lead emissions from road transport have fallen by more than two thirds over the last 10 years, according to figures published by the Department of Transport yesterday.

Mr John MacGregor, transport secretary, said the statistics were a triumph for government policy on road transport and the environment.

RiverBus wins a reprieve

RiverBus, the loss-making Thames passenger service partly owned by Olympia & York, has won a temporary reprieve hours before it was due to close at midnight.

The administrators of Olympia & York's Canary Wharf development in Docklands and other interested parties have agreed to keep the service for up to a month to allow time for negotiations with the government over Canary Wharf's future. Talks with prospective purchasers have failed to produce an acceptable offer.

New industrial group launched

A new industrial pressure group aimed at reversing almost 50 years of decline in Britain's manufacturing and engineering industries has been launched in London. Called the UK Industrial Group, it expects to draw its membership from mostly small- to medium-sized manufacturing companies.

City rewards for secretaries

Salaries of secretarial staff in Inner London are more than 25 per cent higher than the national average according to a survey by Brook Street, the employment services organisation. The survey of 2,393 national companies confirms the persistence of a large gulf between salaries in the south-east and the remainder of the country with a ripple effect radiating from the capital.

Rise in Scottish jobless expected

Unemployment in Scotland is likely to rise from 243,000 to a peak of 282,000 next year, then fall slowly fall back to 255,000 in 1996, according to the Fraser of Allander Institute of Strathclyde University, Scotland's main economic study organisation. People already could expect to stay out of work longer, it said in its monthly economic review, and called for government measures to tackle the issue.

LABOUR PARTY CONFERENCE

Opposition moves to curb union influence

By Ivo Dawnay, Political Correspondent

BRITAIN'S opposition Labour party yesterday agreed the first significant cut in the trade unions' ability to control its party conference for 70 years, reducing the controversial block vote from almost 90 per cent to 70 per cent of the total.

The chief beneficiaries of the change are individual party members in constituency parties who will see their voting power next year rise from 12 per cent to 30 per cent.

The annual conference, dominated by union votes, has traditionally been a policy-making forum for the party although its influence has dwindled in recent years.

But the hopes of a reformist faction to push through a one member, one vote (Omov) system for the selection of MPs and the election of the party leader will depend on the findings of an internal party a review.

After a rare outbreak of passionate debate, which also saw the first heckling of the week, the Blackpool conference finally voted to let a national executive committee (NEC) working party draw up its own proposals.

Speaking for the NEC, Mr Richard Rosser made clear that the leadership's policy continued to favour an Omov system for selecting parliamentary candidates.

Opposition in the hall, however, suggested that some unions' will continue to resist the change which would end their rights to participate though electoral colleges.

There were also clear differences between those who wish to see no significant reforms and those who would like to make the relationship with the unions informal.

Mr Larry Whitty, the party's general secretary, said the review group would "modernise" the relationship, legitimise the union role in the minds of the public at large, remove abuses and help win the statutory political fund ballots, due to be held in two years.

"The aim of the review group is to create a party which still has a very substantial trade union base but which is more democratic, pluralistic, modern and dynamic," he said.

Traditionalists were more vocal with one delegate warning that the consequences of a party based purely on individual membership would be to turn Labour into "a middle class pressure group."

Mr Bill Morris, the Transport Union leader, argued for the working party, but made clear that he believed reforms should be limited, insisting that there was no evidence that the issue had any bearing on Labour's election dispute.

The modernisers disagreed, claiming the public display of union influence in Mr John Smith's election as leader had damaged the party's image.

When the issue came to the conference hall vote, a series of card votes meant that final decisions on the motions will not be known until conference resumes today.

There are few doubts, however, with the help of the union block vote, the NEC's positions will be upheld.

Role seen for market forces in green issues

Bronwen Maddox and Alison Smith

A FRESH emphasis on using market forces to bring about environmental change will be a central theme in the launch today of the government's annual checklist for progress on environmental issues.

On the second anniversary of the 1990 white paper This Common Inheritance, Mr Michael Howard, environment secretary, will highlight the government's plans to make more use of taxes and permits as well as statutory "green" regulation.

Last year's green audit, produced by his predecessor Mr Michael Heseltine, startled environmental groups by its frankness in highlighting – just ahead of the general election – a long list of failures by many government departments to advance green projects.

This year, two of the market mechanisms closest to realisation are the plans to charge for water pollution and proposals to allow companies to trade permits for emissions.

The permits, part of a wider scheme to reduce acid rain, are intended to give companies more flexibility in the timing of investment in new equipment needed to meet rising environmental standards, while maintaining the country's overall pollution targets.

The permits could encourage businesses to accelerate investment in "greener" equipment, if they were combined with high and systematically-enforced system of charges for polluting.

Officials are looking at the government's existing powers under the Environmental Protection Act to see whether some of these measures could be introduced without new legislation.

However, Mr Howard may find that some of last year's criticisms return – notably that the government is failing to link its environmental and transport policies, and that despite promises to curb greenhouse gas emissions, the mechanisms for doing this remain unclear.

Auditors count the cost of BCCI

Two UK firms are facing damaging legal action, writes Andrew Jack

THE LIGHTS are burning late into the night in City offices this week as the provisional liquidators of the collapsed Bank of Credit and Commerce International prepare the latest attempt to recover money for creditors.

Lawyers and accountants have been putting the final touches to a "statement of claim" detailing charges likely to exceed $8bn against accountancy firms employed as auditors to BCCI in 1985 and 1986.

Ernst & Whinney, part of Ernst & Young, and Price Waterhouse, were served with writs in March. The statements of claim will go into more detail. Neither firm received copies yesterday, but under the court timetable, the statements must be lodged today.

News of their imminent arrival did not come as a surprise to the partners dealing with the case yesterday, although they were not aware of the size of damages claimed.

Price Waterhouse said: "We are confident that the work of all of the PW people involved in the BCCI audit was carried out to the highest professional standards." Both firms said they will contest the action, and there will be no out-of-court settlement.

Ernst & Young is likely to argue it was auditor to parts of BCCI not involved in the fraud, and it relied on PW as auditors to those which were. PW has already spent more than $10m in legal fees to prepare a defence. Ernst & Young has spent about £1m. Privately, some partners are expressing unease over the prospect of litigation which could drive them into personal bankruptcy.

There are no records of a claim for damages – or settlement – against an accountancy firm that has ever reached levels anywhere near the BCCI ones. The largest cases in which payments have been made public include £50m against Arthur Young – now part of Ernst & Whinney – in connection with Johnson Matthey in 1989, and £40m last year from KPMG Peat Marwick over Ferranti's acquisition of ISC.

When accountancy firms agree to a settlement, payment comes from a variety of sources. The first payments are from the firm's own resources.

External professional indemnity insurers will then provide cover for tens of millions more, although growing claims and sharply rising premiums have made this cover increasingly difficult to obtain affordably in the last few years.

In addition, the "Big 6" firms are all members of two secretive mutual insurance companies based in Bermuda. One is called Pall (Professional assets indemnity limited), and the other Padua (named after the Italian city credited with creating double-entry book-keeping). These two mutuals plug certain "gaps" in the cover offered by external insurers. That covers the firms up to about $110m.

The firms also have individual "captive" insurers, which might bring the total level of cover to about $150m.

There is some question about how costs would be shared between the different accountancy firms operating under the same name. For marketing purposes, PW and Ernst & Young claim to be integrated internationally. When there is the prospect of legal action, they tend to act separately.

For that reason, the initial writ against the firms was brought in a wide number of names – of professional firms and individual partners – in an attempt to ensure some will be covered for all charges.

The firms stress that the likelihood of a settlement which would bankrupt partners is small. They also hope that the government of Abu Dhabi, the majority shareholder of BCCI which will control legal action if it reaches an agreement with the other creditors, will not want to risk scrutiny of its own role by bringing the matter to court.

An accountant working on the Serious Fraud Office's investigation into the collapsed Bank of Credit and Commerce International was yesterday jailed for three years after being convicted of conspiring to pervert the course of justice by trying to sell confidential information from the inquiry to a solicitor acting for a suspect, writes John Mason.

Mr Mark Braley, 25, of Hayes, west London, a former Coopers & Lybrand Deloittes accountant, had committed "a quite extraordinary and serious breach of trust," Judge Rivlin told the court.

The SFO's massive BCCI investigation had been put at risk through his disloyalty and greed, the judge said.

Mr Braley's accomplice, Mr Bernard Lynch, a freelance accountant, of Forest Hill, south London, was also sentenced to three years' imprisonment after being convicted of the same offence. The judge said Mr Lynch was the instigator of the conspiracy to sell documents to Mr Michael Barrett, a solicitor.

Government bows to European pressure on employment rights

By Catherine Milton and David Gardner

THE British government, under pressure from the European Commission, is to change the law to give more employment rights to some public sector workers.

The move follows the threat of legal action by the commission. It will give more protection to workers who lose their jobs or are offered worse terms when local authority work is contracted out.

Under the 1981 British transfer regulations, passed to comply with an EC directive, employers must honour the employment contracts they inherit when they take over or merge with other commercial ventures. However, when public-sector or other non-profit-making organisations change hands, contracts are considered terminated.

The commission argues that the government is failing to enforce fully the directive.

The government has now agreed to add an amendment to its planned employment bill, due in the next parliamentary session, to extend the protection to all workers.

Mr John McMullen, author of Business Transfers and Employee Rights, said: "It appears many employees in both the public and private sectors have been deprived of employment rights on contracting out because UK law is too narrow."

Councils have lost 38,414 jobs as a result of tendering since March 1987, according to the Local Government Management Board.

The proposed law, however, may deter some private contractors from bidding for contracts.

The proposed amendment will compel employers to consult representatives of the workforce before any transfer of ownership or control. Employers are not required to consult workers unless they recognise trade unions.

The government has agreed to strengthen penalties for employers which break the law.

Employers found to have breached the present regulations cannot be compelled to pay workers more than two weeks' wages in compensation.

Talks lift hopes of Maxwell settlement

By Andrew Jack

CONTESTED CLAIMS on assets in the Maxwell business empire totalling at least £100m may be resolved in out-of-court settlements negotiated with the help of the government's Maxwell pensions unit, it emerged yesterday.

Sir John Cuckney, head of the unit, which works on behalf of the pensioners to recover assets, said that at least four parties involved in both sides of a series of contested actions had approached him for help.

He also said that the government-created trust – set up to collect donations to help plug the hole of stolen assets, and also headed by Sir John – had raised sufficient money to pay full entitlements to all the Maxwell pensioners for at least three years.

The unit hopes to save time and legal fees by avoiding court cases that may take several years to resolve and consume money that might otherwise go to the pension funds.

Sir John emphasised that discussions were still at a very early stage. "We have barely started the hors d'oeuvres," he said. The unit's role would be simply a co-ordinating one.

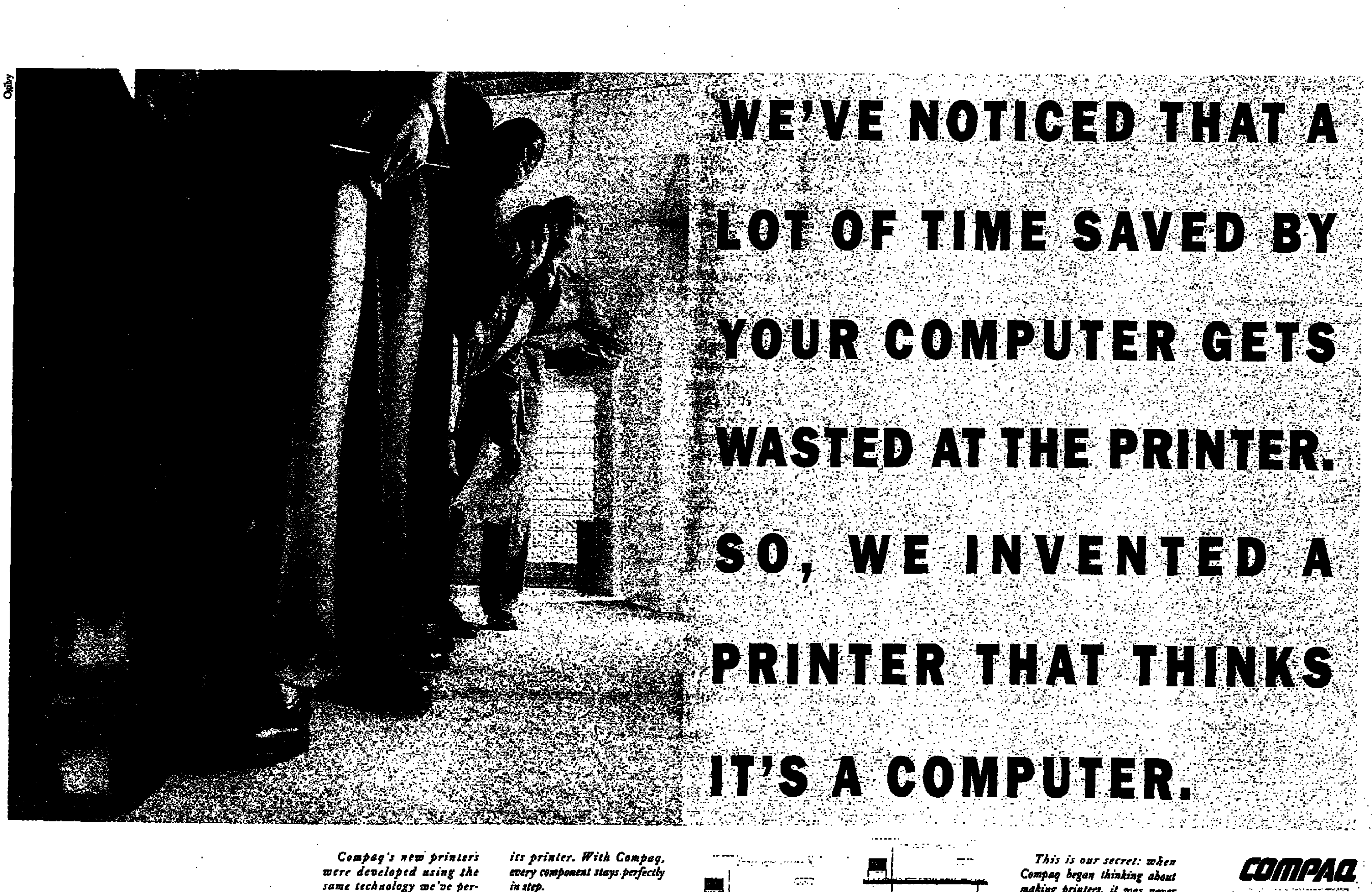
He said that the trust would have received about £5.75m by the end of this week, after the receipt of one imminent donation for about £250,000. There has also been a £2.5m contribution from the Department of Social Security.

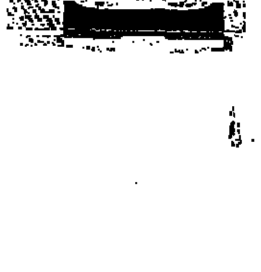
Contributions to the trust had ranged in size "from £6 from a pensioner to six-digits". Goldman Sachs – the US merchant bank that carried out a number of share dealings with the Maxwell companies has confirmed that it has made a substantial donation, believed to be about £1m.

Sir John said there had been "a reasonable number" of donations from organisations that had conducted business with the Maxwell companies. He added that there had been "some disappointment" at the level of contributions from the City. He emphasised that donations did not imply guilt from companies that did business with Robert Maxwell and added that there was no question of donations as "hush money" in lieu of potential litigation.

Some existing contributors had pledged more money in the future, he said, and other potential donors were holding back until there was a clearer view of how much money would be needed. He was reluctant to give a target because there was a risk of loss of credibility if it was not made – but he expected it to ultimately be "in the tens of millions".

The trust has paid about £1.5m to Maxwell pensioners since the end of June.





TECHNOLOGY

Double vision

Michiyo Nakamoto views the latest developments in consumer photography

The photographic industry is suffering from double vision. It is grappling with a move into electronics while experimenting with lighter cameras and "intelligent" film. As a result, it is having to think big and small at the same time. This has prompted manufacturers to head off in various technological directions.

The long-awaited move into the electronic era is its biggest challenge. For years, manufacturers have been trumpeting the approach of an age when "the photograph meets the computer meets the video in one medium," as Jonathan Brandon, marketing co-ordinator at Canon in the UK puts it. But the industry has not yet been able to deliver the goods.

While digital still video cameras – which record images on magnetic disks and then "play" them back on television – have been available for a number of years, they are still mainly for specialist use and are not expected to win mass consumer acceptance for some time.

The greatest advantage of digital still videos is that there is no need for film processing. The pictures which are shot can be viewed immediately on television. And images captured on a digital camera can be sent down the telephone line to an electronic device such as a computer. The business potential is huge. Newspapers and other publications are already using digital cameras to send pictures of major events half way around the globe in a matter of seconds.

The average consumer, however, has not yet warmed to the idea of electronic photography, whatever its merits. For one thing, digital photography cannot yet match the price advantages of chemical film processing. Kodak's latest digital cameras cost £5,000 to £6,500.

Digital cameras also fail to compete successfully on quality grounds. When viewed on an electronic medium such as television the resolution is excellent, but it still lacks the quality of a chemically-processed photograph when printed.

This is because the amount of digital data needed to obtain the equivalent of a single frame of high-quality film would fill 20 floppy disks, Kodak says. What can be stored on a digital camera disk is a fraction of that.

As Leo Thomas, group vice president of Kodak, told an audience at the recent Photokina photography exhibition in Cologne: "As long as you can get excellent colour prints from traditional systems at less than 1 per cent the cost of digital cameras, silver halide systems will take most of our pictures."

Nevertheless, manufacturers insist that demand for digital photography is growing. "By the year 2010 the average person would not be using emulsion-based film cameras," predicts Brandon. "It will be totally electronically based."

The camera of the future will have a "smart card" instead of a roll of film. People will simply insert the card into their televisions to view the photographs.

But even for those who are more muted in their enthusiasm about the digital age of photography, such as Kodak, the question is no longer whether the age digitisation will come but when.

Despite its own vested interests in chemical photography, Kodak recently launched an electronic storage system, called Photo-CD. "We felt that if Kodak didn't supply the electronic system to photography, the computer industry would," says Scott Brownstein at Kodak.

Photo-CD attempts to combine the best of both the chemical and digital worlds by transferring photographs taken by conventional cameras on to digital disks. Because silver halide film is used in taking the photographs, quality is not sacrificed. The benefits of digitisation are there too, in the form of compact storage on a CD-sized disk and the ability to manipulate and transfer the images via electronic media.

The increasing popularity of camcorders has prompted the question of whether the 35mm compact camera and its more sophisticated cousin, the single lens reflex camera (SLR), can survive amid intense competition. So far, they are not giving up without a fight.

SLR cameras are undergoing improvements such as eye-controlled focusing, which enables the camera to detect what the photographer's eye is looking at by analysing light reflected from it. Other tricks include a mechanism to minimise the "red eye" effect and a "silent" mode to reduce the noise created by automatic zoom lenses and automatic film rewinding.

Yet for the majority of amateur photographers who want a small, simple box that can be relied upon to take good pictures, this gimmickry seems to defeat the purpose of a compact camera, which is primarily ease of use.

So it will come as no surprise that the compact camera market is seeing a revival in simple, "decision free" cameras that are light, cheap and simple to use.

Over the past 10 years, cameras have become smaller but they have also become more complex, as manufacturers add an increasing number of features such as zoom lenses, explains Jonathan Brandon, marketing co-ordinator of Canon in the UK. The more features they add, the larger the cameras get again. "Now, we're seeing a regression to simpler cameras," he says.

Single-use cameras, often referred to as "disposable" cameras, have doubtless taken market share away from compacts. But with lightweight compact cameras that take good-quality pictures selling for as little as £39, single-use cameras are still seen primarily for emergency use.

Canon says that while camcorders have eaten into sales of more expensive SLR cameras, the company saw SLR sales rise strongly after it dropped prices. "Everything robs from everything else," says Brandon. "Photography has always been niche marketing."

Meanwhile, Kodak and Fuji, the US and Japanese film companies, have been working with camera manufacturers Canon, Nikon and Minolta on film technologies. The widespread view among industry watchers is that the companies are working to reduce the size of the film canister so that cameras can be made thinner.

The attempt to make the film canister smaller fits in with the trend to reduce the overall size of the camera. Although progress has been made, after a certain point reduction in the camera size is restricted by the size of the film.

The technology is not a problem. "We have the technology to make any film of any size," says Mike O'Farrell, manager of Kodak's consumer imaging division. But the 135mm format most commonly used today offers excellent reproduction on any print size. "It would have to be something really spectacularly good to challenge it," O'Farrell says.

One way to keep the 135mm format but reduce the overall space taken up by the film is to reduce the circumference of the canister. Konica, the Japanese film and camera manufacturer, has succeeded in reducing the diameter of the canister from the conventional 2.5cm to 2cm by making both the film base and chemical coating thinner. Yet only one camera, Konica's "single-use" device sold in Japan, is made to fit the film.

Another development in film technology is the use of magnetic strips on film to record information about the conditions under which photographs were shot, such as lighting and distance. This "intelligent" film would improve the printing process by giving developers more accurate information on how each particular photograph should be printed.

The magnetic strip may even be able to replace the zoom lens. Information could be recorded on the magnetic strip to print just one section of the image, framed in the viewfinder, in an enlarged format. This information could be fed into the printer at the time of printing.

The magnetic strip is still experimental, but closer collaboration between camera manufacturers and film companies will hasten whatever strides are made in film technology. In a fickle market, strategic alliances may be the only way manufacturers can stay one step ahead of the competition.

Spirits lifted in truck industry

By Andrew Baxter

The world lift truck industry does not have much to be happy about at present, but Bruno Kulick, joint managing director of Lansing Linde, was permitting himself a glimmer of a smile last week.

In the middle of a recession that has caused an estimated 40 per cent contraction in the UK lift truck market over the past two years, and which shows no real sign of easing, Kulick and his team at the German-owned company lured 1,000 warehousing managers to Basingstoke to see some important new products and look round the first stage of a £50m manufacturing investment.

"Maybe it's just my hope, but the number of visitors might show that something positive is happening," he says.

The jamboree marked the latest stage in the transformation of the former Lansing Bagnall, founded by Sir Emmanuel Kaye in the early 1940s, into the UK arm of Linde, the world's largest lift truck group, which bought Lansing in 1989.

The deal almost certainly saved Lansing from going under in the current recession. The new Lansing Linde is being turned into Linde's global centre for the manufacture of electric lift trucks used in warehouses – Linde itself is better-known for internal combustion engine lift trucks normally used outside the warehouse.

The centrepiece of last week's event was a new range of reach trucks, so named because of their high reach, which are an essential feature of many modern warehouses. The range will become the core product at Basingstoke, accounting eventually for about 80 per cent of Lansing Linde's turnover, says Kulick.

The launch is also important for Linde as a whole, because the purchase of a reach truck often leads to orders from the same customer for related equipment such as pallet trucks and order pickers, made elsewhere in the group.

But the manufacturing methods and component purchasing policy illustrate how things have changed from the old days at Lansing, which used to engineer nearly all of the lift truck itself. Lansing Linde had overall control of the new range, but handling hydraulics and electronics was a joint effort with Linde.

The result is a product that is 60 per cent made in Basingstoke or from UK components, and 40 per cent from foreign components – many of which are common to all Linde lift trucks.

And a new flow-line system in the recently-completed assembly plant – which represents one-third of the £50m investment programme – has reduced the build time from three-four weeks to four-five days.

The investment in manufacturing is a timely move for Lansing Linde – and not only because it ensures the future of the company within the German group. According to Kulick, there has been a tremendous change in philosophy in the UK lift truck market over the past three years, with customers shifting away from outright purchase to leasing and other finance deals.

As customers increasingly concentrate on their core activities, that leaves the lift truck manufacturers as the real owners of their products, and forces them to consider the "lifetime cost" of the machines. Fitting a low-cost bearing, for example, might save on the manufacturing cost but could ultimately be a false economy.

Kulick and the heads of other lift truck producers will be hoping that UK warehouse managers will be more disposed to buy new equipment in the not-too-distant future than over the past two years. Whether they do remains to be seen, but at least the pound's devaluation has provided an ideal springboard for Lansing Linde's export drive.

PEOPLE

BM finds Woolley Bristol-fashion

In choosing a new chairman, BM Group has gone for a completely different animal from Roger Shute, the man who built it up from nothing in 1979 to an international concern that will turn over about £600m this year.

Shute, 47, succumbed this summer to stress and respiratory illness, aggravated by 60 cigarettes a day, as the stock market became increasingly nervous about its profit outlook in the midst of a deepening recession.

For a start, the newcomer Moger Woolley, 57, is non-executive and will shuffle his BM duties with the chairmanships of packaging companies API and Dolphin, plus three other non-executive posts.

Woolley spent 30 years at DRG, ending up as chief executive of the packaging group before it was taken over by Pembridge Investments in 1989. He then spent a few months as chairman of Parkway before it was taken over by Wace, and was also chairman of CHB, the housing wing that Beazer wanted to float, before Beazer in turn fell to Hanson. Shute, on the other hand, had lots of jobs before settling down as a construction equipment salesman and then striking out into self-employment.

Coincidentally, Shute was backed by Beazer when he set up in business. But that was long before Woolley's involvement in CHB and the link rather is with Matthew Thorne, BM's temporary non-executive chairman, also ex-Beazer and a friend of Woolley's on the Bristol scene.

Woolley plays cricket and, golf – badly of course – and talks of balance in one's life. Shute frequently expressed contempt for executives spending time on golf courses and once said: "If you work 16 hours a day, seven days a week, you do better than the slob who works five hours a day, three days a week." Now, however, having taken life a bit more easily, Shute's health has improved, he has cut down on cigarettes and remains honorary president of BM.

Richard McClean (above), deputy chief executive of the Financial Times, is stepping down next July after 38 years with the group.

McClean's FT career started in the advertisement department and he became the first advertisement director to join the FT board. He was appointed FT managing director under Alan Hare and has been deputy chief executive to Frank Barlow and David Palmer, the current chief executive.

He developed the "No FT... no comment" campaign and played a leading role in expanding the paper's printing and circulation outside the UK.

He says he intends to continue in business and will retain his enthusiasm for the "whole area of media and communications".

Outside the newspaper, his interests include Roman remains and charitable activities at Trident Trust which provides work experience for young people.

Nigel Horne (below right) has been appointed non-executive chairman of Alcatel Network Systems UK, a subsidiary of Alcatel, the French telecommunications manufacturing giant.

Horne, a well-known figure in the UK telecommunications industry, was director of technology at STC, the electronics group, until its takeover by Canada's Northern Telecom in 1990. Before that, he worked for GEC, the electronics group.

Alcatel Network Systems UK was established last year mainly to market Alcatel's telecommunications infrastructure products in the UK. Horne, 52, is its first chairman.

■ Richard Burgess, finance director of SPEYHAWK, has been appointed finance director of Chartwell Land, the property subsidiary of KINGFISHER; Robert Fish, finance director of Speyhawk's principal trading subsidiaries, has been appointed group finance director in his place.

■ Jean-Pierre Garnier, president North America pharmaceuticals, has been appointed to the main board of SMITHKLINE BEECHAM.

■ Garry Campbell has been appointed md of the UK import and distribution division of TKM, part of INCHCAPE.

■ Yves Dominioni has been appointed president directeur generale of Atal, a subsidiary of BULLOUGH.

■ Paul Matthews has been appointed group finance director and company secretary of CAKEBREAD ROBEY.

European Leisure makes two key appointments

European Leisure, the deeply troubled disco and snooker hall owner that is grappling with a mountain of debt as well as being the subject of an uncompleted Serious Fraud Office investigation, has hired a new non-executive chairman and group finance director. But yesterday's announcement failed to lift the shares which languish at 2¾p.

Clive Bastin, 55, national managing partner of accountants Spicer & Oppenheim until shortly before it merged with Touche Ross, will be non-executive chairman. He replaces Geoffrey Nichols, who had been standing in since last July when Michael Ward resigned from his position as chairman andchief executive. Since leaving Spicer, Bastin has been developing a portfolio of interests; he is deputy chairman of Frogmore Estates and of Clarke Hooper, and he came recommended by a merchant bank, according to Ian Rock, group managing director.

Replacing Christopher Critchlow, who stepped down as finance director in April because he did not want to relocate with the company to Leicestershire, is Patrick Hooper. Hooper, 44, has been at booksellers Pentos since 1977, latterly as group finance director. Asked why he should wish to leave the booksellers for European Leisure, Ian Rock commented: "He understands retailing, and obviously he was attracted by the opportunity to move forward from what is perceived as a low base." Hooper was unavailable for comment yesterday.

European Leisure, which owns the Hippodrome and Camden Palace discos, is in the midst of a programme of disposals in France and Mallorca, but this has been proceeding more slowly than expected because of the recession and lack of bank lending, Rock explains. When the company reported results for the six months ending December 31 1991, bank borrowings stood at £76m, a gearing ratio of 217 per cent. Rock says the SFO investigation, connected with the 1990 acquisition of Midsummer Leisure, does not concern the current management: "We rarely hear from them. It is almost as if it [the investigation] doesn't exist."

Opera

Il Trovatore

In Mark Brickman's new Scottish Opera production, Verdi's great melodrama seems a very archetype: absurd story, great tunes, nothing much else. The first-night audience accepted it happily in that spirit, so it may count as a success.

Darkly lit by Ben Ormerod, Tim Hatley's sets – tall strips of moveable wall, curved this way and that for different scenes – serve well enough, as they might for many another opera. Brickman's directorial hand is visible only in the same sort of way: the soloists are moved carefully from place to place (some waving their arms more, some less), but otherwise left to their own routine devices. Some routines, of course, are better than others.

The chorus were drilled to a Dalek unanimity. Super-careful articulation robbed their music of full Italianate fervour, though they can make a lusty sound, and their anvils in the Anvil Chorus were terrific. As the hero's rebel troop rescued the heroine from the villain's forces with ludicrous tameness, however, we got the surtitle "All sense of reason is gone"; for a moment one thought that Verdi, like Strauss later, must inadvertently have set a stage-direction to music.

The Australian soprano Lisa Gasteen (Cardiff winner last year) made a stately, placid Leonora, varying her facial expression from gracious smile to worried frown as the action required. Big voice, attractively warm; technique not equal yet to sharp rhythms, and rapport with the conductor decidedly weak. As the hero Manrico, Kenneth Collins gave us his reliable, all-purpose, hell-for-leather impersonation of the archetypal Italian tenor – short on finesse, maybe, but firmly committed and sometimes stirring.

For subtlety of colour and dramatic response (even in a vacuum), there were visiting Slavs to admire. The gypsy Azucena was Ludmila Nam, a mezzo from Kazakhstan whose exotic facial cast lent a bonus to a mature and generously felt performance. The Muscovite Vladimir Redkin has a dusky, "inward" timbre at his disposal as well as heroic menace, and his Count di Luna was less of a bully than usual, more a creature of private anguish.

On this showing, the conductor Richard Armstrong is not well attuned yet to middle-period Verdi. The pace of the music was often heavy-footed, despite the occasional manic rush forward; what should be rapt, suspended moments were regularly jostled. He fell upon any passage in waltz-time like a Teutonic conductor finding homely relief at last in alien territory. The last act, which crowns *Il Trovatore* as a great melodrama, should exercise a steady, relentless grip, but here it was disappointingly choppy and sectional. We expect much more from Armstrong, and will in due course surely get it.

David Murray

Theatre Royal, Glasgow, October 3 (m), 10, 22 & 28 October; Aberdeen, Newcastle and Edinburgh in November

Cinema/Nigel Andrews

Designer sufferings

In *City Of Joy* Patrick Swayze plays an American doctor who has a moment of truth in the operating room. A patient dies; the doctor's inner world collapses; then he goes off to India to find himself.

That is putting it crudely. But then this film directed by Roland Joffe from Mark Medoff's screenplay based on Dominique Lapierre's book of stories about Calcutta spends 130 minutes putting it and almost everything else crudely. For this is the cinema of moral improvement; and improvement, for directors like Joffe, involves a great deal of hitting the filmgoer over the head.

First, we must have two stories of spiritual self-reclamation, not one. Paralleling Swayze's Indian salvation quest is the story of Hasari (Om Puri), a poor Bengali drought-driven from his farm to become a rickshaw driver in the city. (And he brings a wife, Shabana Azmi, who goes through her own feminist self-realisation programme.) Secondly, every ten-ton cliché about the Westerner lost in the East must be invoked as Swayze spends his first days in Calcutta behaving as if he has strayed onto the moon. "Do you have a hamburger?" he asks perplexedly at a street cafe. And he is even more perplexed by Dr Pauline Collins, an Irish Mother Teresa who would like to recruit him for her "City Of Joy Self-Help School and Dispensary". (The lame and the lost, side by side with life-enhancing music by Ennio Morricone.)

But out here in Calcutta, the disillusioned uncommitted American is still making up his mind. Although he has a $30m movie marking time around him, he is paralysed by self-pity. How to animate him? Joffe and Medoff know. Bring on a couple of cardboard villains to catalyse the plot. Pin Calcutta's problems of poverty and pain on two protection racketeers, the Sydney Greenstreet lookalike Shyamanand Jalan and his snake-like son Art Malik, who are bullying the Self-Help Centre and threatening to de-rickshaw Mr Hasari.

Soon the sufferings of a city are tidily reduced to a set of standardised snarls and fisticuffs; and here comes the monsoon in time to melodramatise Hasari's climactic *crise de rickshaw*. This burst of plot pushes things along nicely, so we can now move into the Ultimate Uplift phase of a Joffe film when serious spiritual messages are spelled out for the deaf and dumb.

CITY OF JOY
Roland Joffe

BITTER MOON
Roman Polanski

CARRY ON COLUMBUS
Gerald Thomas

GAS FOOD LODGING
Allison Anders

First Dr Swayze must make the right choice from the three life options outlined by Doc Collins: "To run, to spectate or to commit." Then the torment-tempered Hasari, who has turned over a new leaf and discovered his wife underneath, must let the latter find herself through work. And finally a reproduction of Gericault's painting "The Raft Of The Medusa", which has been mysteriously dragged through several scenes, must be spotlighted as a Major Metaphor. Explains Swayze, the painting is a parable of hope. The dying cling heroically to the raft while the other figures gaze off into the distance symbolising human optimism. Ah great art: it is so simple when you explain it.

City Of Joy feels like a Sunday School sermon slumming it as a movie. Alternately pie-eyed and patronising, schematic and sentimentalised, it repeats the pattern of Joffe's previous films: the large-screen spectacle and cast of hundreds belying the puny message about human hope that we end up with. In *The Killing Fields* the Cambodian struggle was reduced to a moral play-off between selfish West (Sydney Schanberg) and brave compassionate East (Dith Pran). In *The Mission* Western evangelism was vanquished, after two hours of token brouhaha, by noble savagery. And in *City Of Joy* a group of characters who begin by telegraphing their lost status to us as crudely as comic-book characters end up being redeemed, no less crudely, each by his own designer suffering.

★

Roman Polanski's *Bitter Moon*, though no less risible at times than *City Of Joy*, at least suggests that human beings are complex organisms; and that people who go to India to find themselves often lose themselves long before they get there.

Take Nigel and Fiona (Hugh Grant and Kristin Scott-Thomas). Cruising through the Med on a luxury liner – their ultimate destination India and its "inner serenity" – they meet a nutty American in a wheelchair called Oscar (Peter Coyote). Also present: Oscar's disturbed, beautiful, possibly nymphomaniacal French wife Mimi (Emmanuelle Seigner).

Soon Oscar is drowning whisky by the tank-load while he regales the disconcerted Englishman with his marital sex history. S and M; golden showers; multiple orgasms; whips; guns. It is all too much for Nigel who keeps interrupting with "Steady on, old boy" or "For God's sake, man!" and begs Oscar to get a grip on himself. Sadly this is all that Oscar, crippled by one of Mimi's more imaginative escapades, can now do anyway.

How long before we come to a *menage à trois* or possibly even *quatre*? Not long: 2¼ hours by my watch and they fly by in this black comedy based on Pascal Bruckner's novel *Lunes De Fiel*. How many of the movie's giggles are intentional we cannot know. Did Polanski mean his Nigel and Fiona to be quite such chinless wonders from the inner reaches of Belgravia? Did Mr P and his co-screenwriters Gerard Brach and Alan Brownjohn mean Oscar's voice-off narrations to be *quite* so orotundly loopy ("Eternity for me began one July day in Paris . . .", "We were soon headed for sexual bankruptcy . . .").

But then again those hundred-odd photographs of great *litterateurs* on Oscar's Paris wall – Hemingway, Stein, Fitzgerald – must be a gag anyway. And that image of the electric toaster that pops its load, in one French flashback, just as Oscar is about to pop his load – surely another jape? We would be astonished if Polanski's tongue were not firmly in his cheek here and elsewhere.

I found this film monstrously funny: a *Ship Of Fools* hijacked by the Marquis De Sade, a *Poseidon Adventure* turned turtle from upright family entertainment to murky erotic adventurism. There is something perversely splendid about a movie that keeps gazumping its own excesses. And there is something straightforwardly splendid about Peter Coyote's performance: a drawling, savage, acerbic showpiece that swiftly establishes Oscar as second cousin to Albee's Martha in *Who's Afraid Of Virginia Woolf?*

★

Carry On Columbus is the week's third film in quest of India and the year's third film in quest of Columbus. It may be the worst in each set. This voyage hardly sets sail before its crew – Jim Dale as Columbus, Julian Clary, Bernard Cribbins, Aexei Sayle – are attacked by savage comparisons with the old *Carry Ons* and by man-eating memories of Kenneth Williams, Sid James and Co.

A few early puns raise a faint smile. "What makes you think he's up to it?" quavers Leslie Philips' King of Spain about Columbus; "I've seen his testimonials" coos June Whitfield's Queen. But the film is soon bare of wit in the script (by Dave Freeman) and barer still of that wild, honking energy in the acting that once, circa *Nurse*, *Doctor* and *Up The Khyber*, covered the naked bits in the dialogue.

According to *Gas Food Lodging*, a small-town mood piece by first-time film-maker Allison Anders, Laramie, New Mexico, is a strange town. It consists of women bursting into tears and men taking unfair advantage of their distress. Two sisters trying to take the swift non-scenic route to maturity – the young Shade (Fairuza Balk) being urged on towards self-discovery by the older Trudi (Ione Skye) – are hindered by watchful Mum (Brooke Adams) and helped by the rabid male population.

Between tender talk scenes in the family trailer home there are assorted pick-ups, near-rapes and pregnancies, plus a increasing sense of seen-it-all-before. Chief redeeming merit: the director's peripheral vision. This takes in all the wonderful dime-store El Dorados masqerading as interior decor in these parts. Surrounded by Jesus pictures, dayglo rocks and luminous crucifixes, you too might hitch a ride out of town with the first eligible rapist.

Cinema of moral improvement: Suneeta Sengupta and Art Malik in Roland Joffe's 'City of Joy'

New York Music/Paul Griffiths

Fanfares for Masur, murder at the Met

Kurt Masur, who has just begun his second season as the New York Philharmonic's music director, seems to have decided that his first task must be to develop their expertise in the central 19th-century European repertory: Schubert, Beethoven, Mendelssohn and Bruckner dominated his first subscription concerts. But since the orchestra is marking its sesquicentenary this season, there is some conflict between the earnest pressures of the future and the celebratory wish to make a noise about the past. Somebody had the odd idea of commissioning for the anniversary a whole lot of orchestral "fanfares": time-consuming things to write and to rehearse, and destined for instant oblivion. Tobias Picker's *Bang!* was the first of these to come and go, producing a stream of rushes, whistles and flurries for three and a half minutes which is an awful long time for a firework. Otherwise we were with the classics.

Masur's strengths in the repertory are obvious: his energy and his self-effacing dedication to the task. But equally plain are his and his orchestra's problems. Some of these have to do with the Avery Fisher Hall, where a gentle rake his been introduced in an attempt to lift the woodwind sound. This is not altogether successful, and the massed violin tone is harsh – though the desperation in the orchestra's style is a matter more of rhythm than of sound quality. Masur's emphatic downbeats give his players too many immediate goals and encourage fuzzy attacks that suggest only a frustrated forcefulness. That was particularly the effect in Beethoven's Fifth Symphony, played here near the start of this jubilee season because it was the very first piece the orchestra performed.

Alongside it, in an unusual moment of didactic programming, Masur placed the First Symphony, in G minor, by Etienne-Nicolas Méhul, a work whose finale, as Schumann was the first to observe, has a four-note tag similar to that of the first movement of Beethoven's Fifth. But one can make too much of this. Méhul's treatment puts a lighter touch on the three-note repetition, and uses the idea for its spinning impetus rather than expounding it as a thematic shape in itself. Then more generally there is the a vast difference in harmonic awareness, which makes questions of motivic correspondence irrelevant.

To hear the Beethoven after the Méhul was to be confronted by a monument after an ink sketch, and for that demonstration of how and why Beethoven towers, the comparison was worth making.

Nothing uncommon so far the Met, where the season's first offerings range from a splendid *Tales of Hoffmann*, through an uneven *Falstaff* with old troopers among the merry wives (Mirella Freni, Marilyn Horne), to a depressing *Madam Butterfly*. The Offenbach opera is being presented in a new, longer conflation of the old Choudens score with the Oeser edition, and with a new set by the production's designer, Günther Schneider-Siemssen, for the Venetian act: a view out from something very like the Ca d'Oro, onto the Grand Canal and a duly passing gondola, all very much in keeping with the visual extravagance of the rest of the show. What is lacking is control of movement and posture and interaction among the principals. Instead, four great animals of the stage – Placido Domingo, Carol Vaness, Susanne Mentzer and Samuel Ramey – are pretty much allowed to get away with murder.

Domingo portrays Hoffmann as a man anxious to catch up withe the creatures of his own imagination, tugged on a tight wire between reality and desire. Something of this may come out of a technical care, a manoeuvring of his voice through the nasal sound of French, but the excellent effect is a watchful reserve, overcome in moments of glorious abandonment, especially in the third act. Vaness thoroughly enjoys the ironies of projecting herself as a singing machine in the first act, and goes on to show a dignified sensitivity as Antonia and a lusciousness as Giulietta. Mentzer as Nicklausse is spectacularly good, singing with a winning enthusiasm and freedom; Ramey links all the demands of the piece to a solid thrust of vocal power, a steady glare. The orchestra under James Levine, both here and in *Falstaff*, are luxuriously assured.

Not so their colleagues at City Opera, who labour through Busoni's *Doktor Faust* in what is that opera's first New York staging. This is not a happy debut for a famously challenging work. It looks consistently grim, the entire action being played behind a screen, whose function is to interleave the scenes between pages and diagrams from magical treatises (shades of *Prospero's Books*), but which disastrously separates and occludes the stage from the audience. William Stone as Faust – at once sure and insatiable, majestic and troubled by dreams – deserves more prominent exposure. So was Michael Rees Davis as Mephistopheles, triumphing against his better, lyrical inclinations, and Eva Zseller as the Duchess of Parma, warmly conveying the piece's only aria.

Theatre/Andrew St George

Who Shall I Be Tomorrow?

Plays about suicide, like suicide attempts, rarely convince. The quiet get on with it, the noisy are already in therapy. Bernard Kops' latest play, *Who Shall I Be Tomorrow?* at the Greenwich Theatre tells the story of a faded actress who tries to take her own life. It makes confusing, inconsistent theatre.

The evening's strength is the lustrous Joanna Lumley, who takes the lead in this two-hander with Harry Landis; the acting is a delight; the evening's weakness is the plot, a pattern of inanity occasionally crossed by moments of insight.

A play which welcomes you with the unshaven singing of Tom Waits and a programme filled with cuts from Sylvia Plath and Stevie Smith promises no laughs; but depression is not taken seriously enough. Kops wrote better on similar themes in his *Playing Sinatra* (1991), also about domestic claustrophobia and depression.

Lumley plays Rosalind, a once famous and now out of work actress on telephone vigil in a London bedsit. Her chaotic world is penetrated by neighbourhood noise, from Deep Purple's "Smoke on the Water" to Bach's double violin. The other character, a gay jazz pianist called Gerald (Harry Landis), visits from upstairs: "So why are you depressed?"

The action takes time to form itself into anything dramatic. Lumley is always winning and diverting, sashaying around in pyjamas throwing out lines of *Macbeth* or *The Dybbuk*. She moves effortlessly through extremes: monstrous conceit to pathetic uncertainty, and with the clipped attention-span of the profoundly depressed. But Kops' writing shapes her character too obviously. So, predictably, she falls in love with her therapist and fantasises an affair; her childhood was not a forgotten boredom but a horror of parental cruelty. And she is agoraphobic.

Opposite Rosalind, Gerald hums Weill and croons Holländer. He has problems in the shape of Desmond, an unconvincing lover from the north. But he helps Rosalind, injects her with confidence, and unwittingly prevents her suicide at the end by announcing his own pain when Desmond leaves. Finally, she fixes an identity of sorts in playing many parts ("I'm not a seagull, I'm an actress"), but this looks contingent and unconvincing. However, this final scene works best, because it shows rather than tells; Matthew Francis' direction brings the characters alive here. They are really, as Fats Waller nearly said, two needy people too much in love with themselves to say goodnight.

Greenwich Theatre, 081-858-7755 / 853-3800.

INTERNATIONAL ARTS GUIDE

■ ANTWERP

The new season at De Vlaamse Opera opens on Tuesday with Turandot, Robert Carsen's third Puccini production for the company. Silvio Varviso conducts, with designs by Nigel Lowery. Johanna Meier sings the title role, Stefano Algieri is Calaf and Galina Simkina is Liu. Further performances on Oct 9, 11, 14, 17, 20, 22 and 25 (3-233 6685).

■ BALTIMORE

Tonight's Baltimore Symphony Orchestra programme at Joseph Meyerhoff Symphony Hall is conducted by David Zinman, and includes Bruch's Scottish Fantasy (Shlomo Mintz) and Rakhmaninov's Third Symphony (repeated tomorrow). This month's other events include performances of Brahms' German Requiem conducted by Christopher Seaman (Oct 16, 17, 18), the Red Star Army Chorus and Dance Ensemble (Oct 28) and an orchestral programme featuring Zoltan Kocsis as soloist in Bartók's Third Piano Concerto (Oct 29, 30, 31). Manhattan Transfer gives four concerts in early November (410-783 8000)

■ BERLIN

Philharmonie Tomorrow, Sat and Sun, Claudio Abbado conducts the Berlin Philharmonic Orchestra and Swedish Radio Chorus in Brahms' German Requiem, with soloists Cheryl Studer and Andreas Schmidt. Abbado conducts semi-staged performances of Rossini's Il viaggio a Reims on Oct 14, 16, 18, and takes the orchestra on a tour of Germany at the end of November (261 4383)
Staatsoper unter den Linden On Sunday, Rene Jacobs conducts the first night of Fred Berndt's new production of Graun's Cleopatra e Cesare, with a cast including Curtis Rayam and Lynne Dawson (next performances on Oct 17, 21, 23). This production marks the 250th anniversary of the theatre, which opened as Frederick the Great's court opera in 1742 with the same work. Oct 25: Daniel Barenboim conducts Harry Kupfer's new production of Parsifal (East Berlin 2004 762)
Deutsche Oper Tonight's ballet programme is a mixed bill of choreographies by Balanchine and Bejart. Sat: Don Giovanni with Ferruccio Furlanetto. Sun: Aribert Reimann's new opera Das Schloss. Mon: new production of Don Carlo with Julia Varady (West Berlin 3410 249)
Komische Oper Christine Mielitz's new production of Rienzi can be seen on Sat. Jochen Kowalski stars in Gluck's Orfeo on Sun (East Berlin 2292 555)

■ BOLOGNA

Sala Europa 21.00 Parsons Dance Company. Tomorrow and Sat in Teatro Communale: Michel Tabachnik conducts works by Mahler and Stravinsky. Next week's concerts are conducted by Yuri Simonov. The opera season opens on Nov 29 with Götterdammerung, conducted by Riccardo Chailly and staged by Pier'Alli (529999)

■ DRESDEN

Tonight in the Semper Oper, Merce Cunningham Dance Company gives a programme of choreographies with music by John Cage. Tomorrow: Hans Zender conducts the Saarbrucken Radio Symphony Orchestra in a Cage programme. Sat: Fidelio. Sun: Lohengrin with Gwyneth Jones and Klaus König. Oct 18: new production of Arabella with Felicity Lott (484 2323). Oct 10 in Kulturpalast: Michael Gielen conducts Mahler's Das Lied von der Erde. The Dresden Philharmonic Orchestra resumes its weekly concert series on Oct 18 (4866 306)

■ LONDON

THEATRE
● Square Rounds: a new theatre piece written and directed by Tony Harrison, and performed almost entirely by women. Open tonight (National Theatre 071-928 2252).
● Someone Who'll Watch Over Me: excellent performances from Alec McCowen, James McDaniel and Stephen Rea as Beirut hostages in Frank McGuiness's play (Vaudeville 071-836 9987).
● Medea: Diana Rigg as Euripides' vengeful heroine. New translation by Alistair Elliot. Jonathan Kent directs. Till Oct 24 (Almeida 071-359 4404).
● Kiss of the Spider Woman: Harold Prince's production of the Kander and Ebb musical starts previews next Fri, and opens on Oct 20 (Shaftesbury 071-379 5399).
● Valentine's Day: romantic musical comedy based on Shaw's You Never Can Tell. First seen at Chichester, and still with Edward Petherbridge as the sublimely benign waiter (Globe 071-494 5065).
● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962
MUSIC
Covent Garden 19.30 Jeffrey Tate conducts Adolf Dresen's production of Fidelio, with Gabriela Benackova and Thomas Sunnegardh. Sat: I Capuleti e I Montecchi. Mon: Tosca (071-240 1066)
Coliseum 19.00 Andrew Greenwood conducts a revival of Jonathan Miller's production of Don Giovanni, restaged by Francesca Joseph. The cast includes Peter Coleman-Wright and Helen Field (runs till Nov 5, with next performance on Sat). Tomorrow: La forza del destino (071-836 3161)
Sadler's Wells 19.15 Glyndebourne Touring Opera in Nikolaus Lehnhoff's production of Katya Kabanova. The next performance is Le nozze di Figaro on Tues (071-278 8916)
Royal Festival Hall 19.30 Jack Dejohnette's Special Edition. Tomorrow and Sun: Carlo Maria Giulini conducts works by Dvořák and Musorgsky. Mon: Peter Maxwell Davies conducts RPO. Next Wed and Thurs: Tennstedt conducts London Philharmonic. Next Tues in QE Hall: Frans Brüggen conducts Orchestra of the Age of Enlightenment (071-928 8800)

■ NEW YORK

Avery Fisher Hall 20.00 Kurt Masur conducts the New York Philharmonic Orchestra in works by Kodaly, Gershwin and Musorgsky. Repeated tomorrow, Sat and Mon. Next week's concerts are conducted by Erich Leinsdorf. Oct 11: James Galway recital (875 5030)
Carnegie Hall 20.00 Lorin Maazel conducts the Pittsburgh Symphony Orchestra in a concert performance of Fidelio, with Mary Jane Johnson and Gary Lakes. Tomorrow: New York Pops. Sat: Emanuel Ax and Yo Yo Ma duo recital. Oct 10 and 11: Sinopoli conducts the Philharmonia Orchestra (247 7800)
Metropolitan Opera 20.00 Julius Rudel conducts Madama Butterfly, with Diana Soviero. Tomorrow: Les Contes d'Hoffmann with Domingo. Sat afternoon: Un ballo in maschera. Sat evening: Falstaff. Oct 12: world premiere of Philip Glass's new opera The Voyage (362 6000). Oct 9 in NY State Theater: first night of new City Opera production of Blitzstein's 1949 Broadway opera Regina (870 5570)

■ PARIS

JAZZ AT THE BASTILLE
A new jazz series entitled Carte blanche à . . . is launched tomorrow at 18.30 in the Studio of the Opéra Bastille. This month's events (tomorrow, Oct 9, Oct 16) are hosted by Jean-Louis Chautemps (sax and clarinet), who is joined tomorrow by Glenn Ferris (trombone) and Francois Verly (percussion). Alain Brunet and friends will give three shows in November. Tickets cost 75 francs (4001 1616)

■ UTRECHT

Vredenburg 20.15 Vassili Sinaiski conducts the Netherlands Philharmonic Orchestra in works by Sviridov, Gershwin and Tchaikovsky, repeated tomorrow. Sat: Frans Brüggen conducts Bach, Haydn and Mozart. Sun: Claus Peter Flor conducts the Rotterdam Philharmonic. Mon: concert performance of Purcell's Dido and Aeneas. Oct 10: Stanislav Skrowaczewski conducts the Netherlands Radio Symphony Orchestra. Oct 30: Brüggen conducts the Orchestra of the 18th Century (314544)

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0630-0900 (Mon) FT East Europe Report – weekly in-depth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0630-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0630-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

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0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
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FINANCIAL TIMES

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Thursday October 1 1992

The pressures on Mr Kohl

ANGLO-GERMAN bickering over the Bundesbank's role in sterling's misfortunes entered a new phase yesterday with Dr Helmut Schlesinger's fierce rebuttal of recent British government "reproaches". It is clearly futile, as well as indefensible, for the UK to unload the blame for British economic failures on to *Germany's independent* central bank. What is not, however, in question, is that overall German policy errors since the unification process started in 1990 have contributed to European-wide economic problems.

The Bundesbank's high interest rates represent not a symbol of *German strength, but the price of* German policy weakness, manifested in Chancellor Helmut Kohl's inability to put the financing of German unification on to a healthier footing. Slow economic growth around the continent is one factor – among others – behind the rising discontent over *the Maastricht treaty.*

Mr Kohl wants to salvage the treaty. He also, presumably, wants to rescue his country from the potentially dire effects of the rapid build-up of public sector debt generated by generous state financing of east German living standards. On the 10th anniversary of his *accession to the chancellorship,* Mr Kohl thus has two compelling reasons for putting Germany's economic house in order.

Mr Kohl needs to succeed during the next 12 months in creating the conditions for a self-generating upturn in the eastern part of his country. Otherwise, Germany – *as the continent's pivotal* economic and political power – will bear some responsibility for the possible fragmentation of the western part of the continent.

German stagnation

The threat is not that the Maastricht process *will take place at* varying speeds, with a small number of countries going ahead at first. This development is the only possible way for economic and monetary union to proceed, and was always implicit in the timetable agreed last year. The greatest danger is that if the German economy runs into fully-fledged recession, European integration as a whole will grind to a halt. Without a solid German core, even a *two-speed Europe is likely to be a* pipe dream.

Germany's domestic prospects are far from encouraging. The economy in west Germany has been stagnant for months, while the hoped-for recovery in the east has tailed off. The government has made inadequate efforts to cut subsidies and spending. This has *led to a position – unsustainable* in the long term – under which transfers from the west account for more than half east Germany's gross domestic product.

The sharp rise of the D-Mark against other European currencies has depressed chances for export-led growth. *Since Germany's unit labour costs are now rising faster* than those of most competitors, German industry is in a far worse position to withstand the latest currency revaluation than during the 1970s and 1980s.

Inflationary danger

The Bundesbank's net monetary reserves have risen by an unprecedented DM68bn in the latest two weeks as a result of action to prop up sterling, the lira and the French franc. The extra liquidity on German money markets, notwithstanding the Bundesbank's comprehensive "mopping up" *operations,* is likely to fuel the inflationary pressures which the Bundesbank most fears. This, in turn, will prevent a rapid fall in D-Mark interest rates.

Just when robust expansion is needed, Germany could be in store for an ill-timed bout of stagflation. Yet there is a chance for Mr Kohl *to break free from the encircling* dangers. When Germany set off down the road to unity two years ago, the world knew it would represent the most severe test of the country's resolve and cohesion. Germany has failed to generate the spirit of national consensus needed to meet that test – but it *is not too late.*

In a bid to repair his mistake of two years ago, the chancellor has launched an attempt to spread the burdens of unity financing as widely as possible, under a mooted "solidarity pact" with trade unions and employers. This is the right first step. Germany's economic policies of the moment are bad for itself and worse for its neighbours. The reaffirmation of Germany' European commitment *should start at home.*

Mr Major must choose

TO GOVERN is to choose. After the simultaneous collapse of both his foreign and his economic policies, Mr Major could have chosen to resign. He has not. Now he needs to make other choices: first, he should ask for Mr Norman Lamont's resignation; second, he should demand a new economic policy from Mr Lamont's successor; and third, he should pass the Maastricht treaty through the House of Commons.

Mr Lamont must go. This is not because he is personally responsible for the disaster that befell the government's ERM policy. The responsibility is far more widely shared, not least by Mr Major. It is also not because everything he said about never devaluing the *pound was brutally belied by* events. Finance ministers in his situation must speak confidently, while hoping that their words are not swiftly disproved.

The case for resignation is, first, that Mr Lamont was on the watch at the time the ERM policy hit the reef. The case for resignation is, second, that he has discredited himself by what he has said since sterling's departure from the ERM. The case for resignation is, third, that Mr Lamont cannot credibly articulate the new policy that the UK now needs.

Mr Lamont has said that "we will have a British monetary policy tailored to the needs of the British economy". How can a chancellor who has confessed that his past policy was not in the country's interests stay in the job? He has also damaged the long-term interests of the country by the all too public debate between himself and Dr Helmut Schlesinger, the Bundesbank's president.

Mr Lamont is simply not the man to articulate a new economic policy with *conviction. What he is* saying – with his list of monetary indicators and his promises to tighten control over public spending – is "trust me". But why should the country trust him?

No early re-entry

New measures need a new man. The new chancellor will discover that he does have one advantage. Judged by the Labour party conference, the opposition offers not a new policy, but support for the old one, combined with constant complaints about its inescapable consequences for interest rates and manufacturing industry. It should be possible for a new chancellor to be more coherent than that.

What should be the basis of a new policy? First, an early return to the ERM is undesirable. This is partly because the other members are loath to have sterling back in. More importantly, the interest rate consequences of rejoining the ERM are quite unknown, but past *experience suggests they are* likely to be destabilising. Until the turmoil of German unification has begun to work itself out, the government should stick to a promise to seek re-entry "when the time is ripe". To show the government is not turning away from its European engagement, ratification of *the Maastricht treaty should be* pursued with vigour.

New policy framework

Nevertheless, the government should postpone attempts to return to the ERM, only if it establishes a policy framework, with institutions to match, that give it some hope of doing better for itself. There is an opportunity for combining recovery with low inflation. It is only if that opportunity is exploited that the UK will be able to contribute successfully to the development of the EC.

The difficult policy questions *now are how far and how fast* should interest rates be lowered and how far and how fast should fiscal policy be tightened. Neither can be answered with conviction. The economy is in uncharted waters. The authorities must feel their way, which is precisely why institutional arrangements for policy analysis and formulation must be improved. But the principles that should underpin those answers are clear.

These are, first, that the UK needs another consumer-led boom like a hole in the head. It needs a slow and steady recovery led by exports. Monetary and fiscal policies must serve that end. Secondly, a devaluation cannot bring enduring benefits if it does not lead to a sustained lowering of wages in relation to the prices of tradable goods and services.

The end of the ERM policy was a humiliating disaster. But it has a silver lining. The government can choose once more. What it must demonstrate is that it has the maturity to choose wisely.

Collor's heirs inherit a strengthened democracy but a fragile economy, say **Christina Lamb** and **Stephen Fidler**

The clear-up after the party

People poured onto the streets across Brazil on Tuesday night to celebrate the congressional vote which looks set to finish the political career of President Fernando Collor de Mello and end four months of economic and *political paralysis in Latin America's* largest country.

Their joy may be short-lived. When they wake up after their impeachment parties, Brazilians may well reflect that they have taken a leap into the unknown. They have ditched the devil they know – an apparently corrupt politician from the north-east – for one of which they know almost nothing.

Mr Itamar Franco, the 62-year-old vice-president, takes over, but only for a maximum 180 days while the senate puts the suspended Mr Collor on trial. But nobody is betting that Mr Collor would win the senate impeachment vote. In all likelihood, Mr Franco will be president until the end of 1994 when the next president will take office.

Mr Franco, a former senator, has not made a huge mark in his political career to date; he stayed discreetly in the background throughout the impeachment battle. In the 1980s, he made nationalistic speeches suggesting hostility to the modernisation of the economy, but at that time most Brazilian legislators were doing the same. More respected for his apparent moral qualities than for his political vision, Mr Franco looks staid when set against the jet-skiing Mr Collor.

He does have some things going for him, however. He is likely to enjoy a honeymoon period: many of the 441 deputies who voted for Mr Collor's impeachment are likely to support him in Congress, at least initially. Mr Pedro Simon, a senator and one of Mr Franco's main advisers, said yesterday: "Never in the history of Brazil has there been such an opportunity for national understanding."

There will also be support among the millions who took to the streets to urge the ousting of Mr Collor. Mr Albueno Averedo, governor of Espirito Santo, says: "People took to the streets not just to change the president but to change the country."

In fact, Mr Franco takes over a country which has already changed *by demonstrating a new-found political* maturity. In the run-up to this week's vote, constitutional propriety was strictly observed; the ever-watchful military, which ran the country until 1985, did not intervene; nobody was killed in the thousands of street protests all over the country and the press strengthened *its reputation as the freest,* and most responsible, in the region.

However, removing the president does not remove Brazil's pressing social and economic problems.

First, Mr Franco takes over a government in desperate financial straits. Next year's budget will require swingeing cuts to compensate for a 25 per cent real *fall* in tax collection since Mr Collor took office and to pay a court-ordered 147 per cent increase in pensions, delayed by the Collor government.

Government spending has already been cut to the bone. The federal government payroll has fallen from 62 per cent of the overall budget in 1988 to 25 per cent for the past two years, largely through keeping public sector pay at low levels. There has been little investment in roads and infrastructure, and *the health* and education sectors are in crisis through lack of funding. To make things worse the last weeks of the Collor government were marked by big hand-outs to politicians for pet projects in a crude and expensive attempt to win their support.

Interest rates – which have been kept at more than 30 per cent a month to keep a control on inflation – are pushing up the government's domestic debt, and causing interest payments to mushroom. Mr Mailson da Nobrega, a former economy minister, warns: "The situation is dramatic. If an emergency tax reform is not passed immediately next year's budget will be unmanageable."

On the revenue side, the government has been unable to crack down on tax evaders, partly because Mr Collor's moral authority was so eroded. An inland revenue study in July found 76 per cent of big companies were not paying any tax at all, while the informal "black" economy is estimated to be at least half as big as the formal economy.

With the political support he is likely to command initially, Mr Franco could push through some form of fiscal reform, critical to imparting order to government finances.

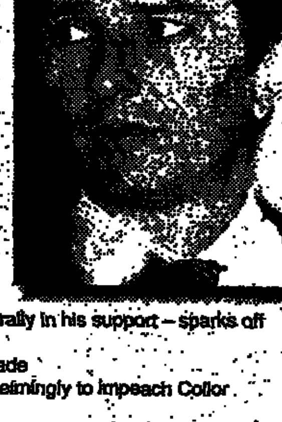
If he succeeds in this, Mr Arminio Fraga, international director of the Central Bank, believes there are reasons to be bullish about economic prospects. "We are handing over a good ball. We have no price controls, no foreign exchange problem, a competitive exchange rate and have brought privatisation under way. It would be shame to see all this groundwork wasted."

This is undeniably true in Brazil's international financial relations. Mr Marcilio Marques Moreira, the internationally respected economy *minister, has transformed his country's* former image as the black sheep of the international financial community since he took office in May last year. He has signed accords with commercial banks and the Paris Club of official creditors and secured an accord with the International Monetary Fund, *though Brazil has subsequently* failed to meet the targets and will have to renegotiate this. He built up reserves from critical levels of $7bn to today's record of $22bn.

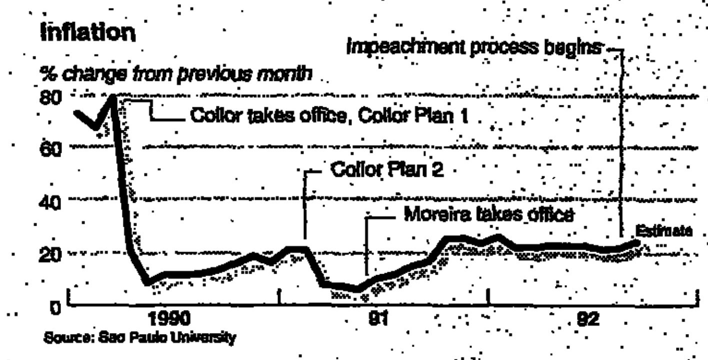
However, domestically, Mr Franco is facing a macroeconomic picture which in some respects is in no better shape than that which Mr Collor inherited in 1990. Inflation has been stuck at more than 20 per cent a month for more than a year and a fast-growing public sector borrowing requirement is heading for 20 per cent of GDP. Industry is in its third year of recession and wages are at their lowest real level for 12 years. Most industry is operating with 30 per cent idle capacity and unemployment in São Paulo is at record levels of 16.2 per cent.

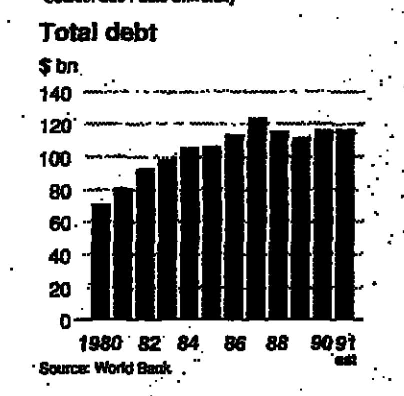
Brazilians joke that Mr Moreira *has been "standing on the right* road", rather than moving along it. A recent report from one World Bank economist describes the policy as a *"lukewarm gradual strategy".* It also criticises the minister for a costly strategy of using government debt to offset the inflationary impact of hefty inflows of foreign capital, attracted in part by high interest rates.

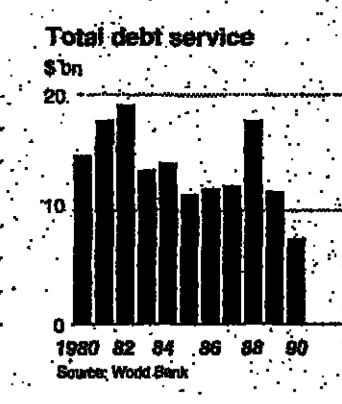
The Collor file



- Mar 15 1990: Collor takes office. Collor Plan 1 freezes $80bn of financial assets
- Feb 28 1991: Collor Plan 2 freezes prices again
- *May 9 1991:* Zélia Cardoso de Mello dismissed as economy minister. Marcílio Marques Moreira takes office
- Sept 3 1991: Collor's wife dismissed from heading government charity on allegations of corruption
- Jan 29 1992: $2.1bn IMF accord
- May24 1992: Pedro Collor accuses president of corruption (and cocaine use)
- June 3 1992: Collor wins international acclaim in Earth Summit
- June 1 1992: Congressional inquiry
- July 9 1992: Debt accord for $44bn commercial debt
- Aug 16 1992: Collor calls on nation to rally in his support – sparks off widespread protests
- Sept 1 1992: *Impeachment request made*
- Sept 29 1992: Congress votes overwhelmingly to impeach Collor







Where Mr Franco's government will stand or fall will be on inflation. Fears persist that he will be tempted to try a populist measure such as the kind of shock plans – including confiscations of financial assets and price-wage freezes – employed by Mr Collor early in his term, though his aides rule this out. *Economists say such schemes* would be bound to collapse quickly unless the government's fiscal house was put in order.

The Franco administration will also come under great pressure from industrialists, trade unions and state workers to relax some of Mr Collor's more radical reforms such as the abolition of quotas on imports and tariffs. For Mr Collor carried out *some* of his promises to modernise the economy: he ended 30 years of price controls and 50 years of protectionism, reducing tariffs and lifting bans on the import of items such as cars and fax machines.

He took on powerful cartels in areas such as cement and aluminium, prompting price wars rare in Brazilian history, and changing public opinion in favour of privatisation.

Mr Collor's allies in the impeachment battle tried to portray Mr Franco as a retrograde nationalist who would undo all his good work, and claimed that the campaign against him was a direct result of *his attack on vested interests.* Mr Franco is very sensitive on this point and his advisers are anxious to spread the word that he has *changed since the days when he* voted in favour of nationalistic projects. Mr Mauricio Correia Lima, who is expected to become justice minister, says: "He's prisoner of the fact that he was in Congress in the days when everyone was a nationalist."

Mr Orestes Quercia, leader of the PMDB, the main party supporting Mr Franco, insists the modernisation programme has nothing to do with Collor's downfall and that it will now move ahead more smoothly. "There were good things in the programme. The problem was that Collor had no political or administration skills. *He was like* an architect with a great design but no possibility of building it. Now this ability exists and we intend to use it."

The first test of Mr Franco's commitment to modernisation will be in the ministers he appoints. The second will be whether he maintains a further import tariff reduction due today to bring average tariffs down to 17 per cent. This could be difficult to alter because the country is locked *into external agreements* such as that with Mercosul, the proposed customs union also comprising Argentina, Paraguay and Uruguay, which promises common external tariffs by 1995.

Mr Franco's task will become more difficult the longer he is in office. He cannot expect to keep a wide political coalition together over the long term, and he *lacks the authority* of an electoral mandate. Moreover, Mr Collor plans to hang around and fight out the senate judgment over the next six months, hoping that he could still make a comeback, as unlikely as that seems.

The attention of congressmen will soon be distracted once more, with next April's crucial referendum to decide the country's future political system – monarchy, presidential or parliamentary. If, as expected, a parliamentary system is chosen, new laws will be required to strengthen the fragmented party system which has made the country difficult to govern.

There are already mutterings of a return to the dark days of former President Jose Sarney. Another vice-president propelled unexpectedly to high office, Mr Sarney took office in 1985 after President Tancredo Neves died before he could assume office. Beholden to too many parties and interests, the Sarney administration was marked by constant squabbling and paralysis and degenerated into a spending spree which caused inflation to hit 84 per cent a month.

Mr Franco's administration risks a similar fate. Brazilians expect him to crack down on corruption and tax evasion to prevent a repeat of the Collorgate scandal. Mr Aristides Junqueira, the attorney-general, comments: "I think Tuesday's vote will mark the end of impunity for corrupt politicians in Brazil, but it will not be easy and we must not let Collor's ouster be a mere panacea."

It sounds good. But Brazil has a *history of disappointing optimists.* The fact is that Mr Franco will have a lot of hopes to fulfil in his two years and three months in office and no money in the coffers with which to do it.

BOOK REVIEW

Smooth operator

AN AUTOBIOGRAPHY: RIGHT AT CENTRE
By Cecil Parkinson
Weidenfeld & Nicolson, £18.99, 312 pages

In Lady Thatcher's Tory party Cecil (now Lord) Parkinson stood almost exactly between Norman Tebbit and Michael Heseltine, two men with whom his *paths crossed frequently and sometimes* ran together. Parkinson was better off and more formally educated than Tebbit and therefore lacked the Tebbit abrasiveness. But he was considerably less well off than Heseltine and therefore lacked the latter's independence.

Parkinson was also a curious mixture of the flamboyant and the banal. It is an exaggeration to have called this book an autobiography for, although it has interesting parts, much of it is outstandingly dull. About half of it consists of rather tedious accounts of what he did as a minister, the implication being that there was little life out*side the office. Those looking for* revelations will fail to find them.

There are, however, two striking sections. The first concerns his feelings about Margaret Thatcher, whom he admired beyond the call of duty. The second is about his early days before he chose politics. The fall of the prime minister, as she then was, occupies the first 50 pages and must have been one of the main reasons for writing the book.

Parkinson was one of the few cab*inet ministers to support her to the* end. The others were Kenneth Baker and Peter Brooke. He quotes her as saying that it was not the challenge of Heseltine that brought her down; it was, in her own words, "the cabinet". He then proceeds to bear this out.

When Mrs Thatcher narrowly failed to win on the first ballot, the bulk of the cabinet decided that she must go and – of equal importance – that Heseltine should not be the successor. That was why both John Major and Douglas Hurd were put up against him – to split the Heseltine vote. Parkinson argues that she had almost seen it coming.

His theory goes that she was preparing yet again to create a cabinet in her own image. She was unable to do that when she became prime minister in 1979 because she inherited too many "consensus" rather than "conviction" colleagues. She started to change the balance with her first cabinet sackings in 1981 and by bringing in people such as Parkinson and Tebbit. Yet the new parliamentary intake goes in cycles. Many able Tories who entered the House of Commons in 1979, such as John and Christopher Patten, were not Thatcherites, but in due course *had to be promoted on merit.* The balance was thus swinging against her until she could bring forward the more convictionist intake of 1983, such as Francis Maude, Michael Forsyth and Michael Portillo. Time ran out.

Parkinson is a good political analyst and one is inclined to take his theory seriously. He was also an excellent party chairman. Compare his smooth success in helping to win the general election of 1983 *with the quarrels that went on* when the Tories won much more acrimoniously in 1987.

Perhaps his background helped. His father was a "Bevin boy" who went down the mines because he was too old for the war and subsequently worked on the railways. Cecil was a young recruit to the Labour party and sometimes attended communist rallies. Although his socialism had ebbed before he went to Cambridge, he still tended to look down on what came to be called the "Cambridge mafia" in the Heath, Thatcher and Major cabinets.

He was offered a place at Emmanuel College on the assumption that he would read divinity, but switched to English literature which he read under F R Leavis before changing again to law. *Unusual for the Cambridge of the* time, he chose to go into industry and joined Metal Box. While training as an accountant, he came across a "tall, blond Oxford graduate called Heseltine" who already ran his own business and seems to have terrified him.

Politics came gradually, partly by *building a constituency organisation* with Tebbit. He won Enfield West in a 1970 by-election and quickly became PPS to Heseltine.

The party chairmanship was the peak of his career. It was on the day of the election in 1983 that he told Mrs Thatcher about his affair with Sara Keays. He felt unable to accept *the prime minister's offer of the* Foreign Office as a reward for his services and went instead to the Department of Trade and Industry. There was one achievement: he brought about the settlement between the Stock Exchange and the Office of Fair Trading which led to Big Bang. But the affair and the media pursued him and he had to resign. Mrs Thatcher showed her continuing loyalty by bringing him back later, though only to energy and transport.

The references to Ms Keays in this book are brief. He repeats that slightly offensive line in his public statement at the time: "I am of course making provision for the mother and child", and there is a singularly ungracious reference to "my pregnant former mistress".

Still, many people found him attractive. The Queen approached him one day: "They tell me you have influence with the prime minister. She must take a proper holiday and if you will speak to her about it, so will I."

Malcolm Rutherford

Leipzig trades its past for free-market future

Michael Cassell on the problems facing companies battling for a share of Europe's fastest-growing construction market

The Pussycat Club in Leipzig comes as a crushing disappointment to the men from Tarmac, the UK construction group searching hard for profits where most British builders still fear to tread.

Only when they are off the 7am flight from London do they realise that colleagues' tales of wild parties at the Pussycat are intended to poke gentle fun at the former East German city, not best known for the quality of its night-time entertainment. Neither the club, nor anything like it, yet exists.

After a 12-hour day, the reality for the small team leading the British company's high-risk assault on a tough new market is dinner and a few drinks in "digs" at number 8 Hoyerstrasse, a stylish, suburban house in an area once reserved for leading Communist party members.

There are sitting tenants, with a heavy-footed teenage son on the second floor; one room at the top of the house is sub-let to Sir Frederick Snow, the British engineering company which is also keen to do business locally. Good accommodation is hard to find.

Leipzig, whose status as a trade-fair centre had at least allowed capitalism across its threshold, is now open to anyone ready to help rebuild a city blackened by lignite dust and crumbling after four decades of neglect.

As arrivals make their way along cobbled streets, past barracks where soldiers of the former Soviet Union buy battered Skoda cars for resale back home, they confront an entire city in desperate need of modernisation and renewal. But despite land-ownership disputes, contaminated sites and hidden arms dumps, the former east Germany is Europe's fastest-growing construction market – and Tarmac wants a piece of the action. Estimates suggest that building work in the former East German states worth more than DM2,000bn (£790bn) could be generated over the next 12 years.

At home, Wolverhampton-based Tarmac is battling to stem the financial haemorrhaging inflicted by recession. It has recently announced interim losses of £15m, while profits for 1992, at about £25m, may barely match the figure notched up in just three weeks during the heady days of 1989.

The Leipzig initiative, part of a strategy to broaden the construction group's base across an expanding market, is one which other companies must imitate if the political vision of a single European market is to be converted into commercial reality.

Leipzig leap: the boss's Trabant is being replaced by the carpenter's Porsche

Tarmac has set up a European division to embrace its continental ambitions. It has already bought a motorway construction business and a share of a building company in France, while Schal International, its management arm, is developing the first phase of a £500m business park in Berlin. An acquisition in Hungary may be next.

In Leipzig the company's efforts to weld together two alien business cultures and to build a bridgehead to other eastern European markets will be closely watched by competitors.

"It's more like venturing into the third world than into a mature, western market. There are 'gold rush' towns sprouting up all over the place," says Mr Steve Reding, managing director of the company's European operation.

'It's more like venturing into the third world. There are gold-rush towns sprouting up all over the place'

There is, as yet, little hint of any gold rush in the run-down yard of Bau Nord, the Leipzig building business which was on its knees when the hard-hats from Wolverhampton acquired it in March.

So far, there are few outward changes at Bau Nord. There are a couple of new trucks with the Tarmac logo slapped on them. The car park which, until recently, housed the Trabant for which the last boss had waited 14 years, now boasts a Porsche owned by one of the carpenters.

Inside, however, a revolution is under way among an 80-strong workforce which is technically competent but commercially at sea.

"We are only here for a while to implant our skills. It will be run by Germans as soon as possible," says Mr John Thomson, the Stoke-born general manager who is trying to get by with his "pigeon deutsche" in a company where only two of the non-British speak good English.

With productivity levels estimated at less than half those in the west of Germany, the company has already tried a productivity bonus scheme, but it failed miserably. "The men don't like pressure; they go sick. There is no 'go-for-it' mentality – but it will come," says Mr Thomson.

"No one knew what deadlines or personal responsibility meant. Everyone would go around in pairs like Siamese twins so that no one individual could be held liable for anything."

Pay is still below levels in western Germany but, by government decree, is rising step by step, leaving many workers better off. They are now on about 77 per cent of the pay levels achieved in the west of the country.

The company's employees, despite the challenge of adapting to foreign bosses, have welcomed British owners who saved them from certain redundancy.

"There is so much resentment against the west Germans who moved in quickly to our country to pick up the best work. Everything is seen to be for their benefit, not for ours," says Janette Gothël, a former state interpreter and now the company's new marketing manager.

"We believe the English have come to put down roots. But the workforce now realises that western management does not just mean lots of new equipment which will do all the work for them. Now they know what is expected of them."

The more informal British management style has also come as a big shock to those weaned on formality. The newly arrived contract estimator could not pick up his pay because his work documents described him as Michael while his real name appeared to be Mike.

"We are surprised just how cool and calm the English can be. I sometimes get upset when problems arise but they don't seem to worry. They tell jokes in serious situations and it is beginning to catch on," says Elke Hubner, the new finance director.

The Leipzig city fathers are also pleased to see Tarmac. Hans-Jochen Richter, project co-ordinator for the local municipality, is thrilled at the challenge that commercial freedom and a rising state budget gives his department: "We never dreamed we would be able to work with partners like this."

Tarmac's new acquisition has about DM20m of work on its books, a fragment of the potential business in an economy that has several decades of construction work to catch up on. It is a modest start and any prizes will be hard won; there is unlikely to be much time left for daydreaming about a night out at the Pussycat Club.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Previous devaluations no guide to present one

From Mr John Muellbauer.

Sir, Professor Maynard ("Devaluation – a remedy that has not worked in the long run", Letters, September 16) is right to remind us that some devaluations, such as those of the 1970s, have been failures. But conditions in the 1970s were very different from those prevailing now.

Excess capacity and unemployment were low so that the flexibility of response to a devaluation in the output of tradeable goods and services was weak. Inflation, after the raw material, oil price and house price booms, was rampant. Real interest rates for borrowers were negative throughout the 1970s, and the benefits of mortgage interest tax relief were amplified by inflation. Unions were powerful and governments were ready to bail out strategic loss-making firms. How circumstances have changed!

The risks of a wage-price devaluation spiral can be further reduced by a package of government policies.

That includes such possibilities as holding down retail prices by lowering VAT to 15 per cent, paid for by higher income tax, a tax on wage increases (successfully applied in Czechoslovakia) and longer range reforms, including a commitment to regenerating private rental housing. The supply side and not consumer demand must pull the UK out of this recession. That should be the aim of policy.

Professor Maynard, like Samuel Brittan, tends to underestimate the domestic demand origins of inflation and overestimates the effects of the exchange rate. That tendency, shared by Mr Nigel Lawson, contributed to the policy errors since 1986 which led to the overheating of the economy and the inflationary boom. This boom, of which I warned from autumn 1986 onwards, is ultimately the major reason for last week's devaluation. It could scarcely be the other way round!

Samuel Brittan ("Economic Viewpoint: Devaluation defeat – how '92 differs", September 17) questions the competitiveness indices that were one of the four reasons I gave for claiming that sterling was overvalued.

He prefers absolute purchasing power and the UK share of exports. Neither are very reliable. Most economists agree that the purchasing power parity theory is much better supported in its relative than its absolute form. Relative to the 1960s and 1970s, purchasing power indices have very similar profiles to the indices in my chart ("FT, Personal View: Crunch for sterling", September 14).

One reason why export share figures are unreliable is that these share figures reflect other forces such as the huge relative rates of growth of Japan, Korea and other newly industrialised countries which led to falls in trade shares elsewhere in Europe in the 1960s and 1970s. Japanese inward investment in the 1980s in the UK was a function not only of competitiveness but of the welcoming attitude of the government and of cultural and linguistic factors.

Another reason is that, in the 1980s, the share of exports overstates the improvement in the real export performance of UK manufacturing. That is because UK manufacturing became more of an assembly operation, so that the import content of manufactured exports rose sharply. From 1985 to 1991, imports of intermediate goods grew 63 per cent while manufactured imports as a whole grew 39 per cent and exports 27 per cent.

John Muellbauer,
Nuffield College,
Oxford

Oil companies' right to fear supermarkets

From Mr William Hodgson.

Sir, Guy de Jonquières and Neil Buckley ("Supermarkets vie to fill up tanks as well as trolleys: an increase in shopping around for petrol is worrying oil companies", September 28) may have inadvertently misstated some realities.

The average supermarket petrol site sells six times the volume of petrol sold by a conventional petrol station. Petrol is a significant contributor to profits for Sainsbury's and Tesco. In a price war between supermarkets and oil companies, the former would win hands down. They are not burdened by the oil companies' overheads.

It was no surprise to this company, which has produced a motorist's guide to petrol, that an important oil company refused to co-operate with the production of unbiased consumer information.

William Hodgson,
Seven Points Publications,
PO Box 119,
Chichester,
West Sussex PO18 9LY

Industrial logic sole reason for unions' merger

From Bill Morris.

Sir, Your report ("TGWU confirms merger plan", September 26) on my union's new relationship with Britain's other general union, the GMB, is misleading in its implication that our financial situation has played a part in our desire to develop a partnership, possibly leading to a merger.

First, I wish to make it clear that industrial logic, and only industrial logic, shapes the T&G's merger strategy. It is that logic, which serves the interests of our members at the workplace, which has led me top seek to forge closer links with the GMB. We organise in the same industries and face similar problems and opportunities. The same logic will apply in the T&G's developing relationships with other trade unions.

Second, your report does not fairly represent the T&G's financial position. More than half of our deficit last year was caused by one-off payments relating to an early retirement scheme for officers and staff. That is one of the measures we have taken to put ourselves on a firm footing for the future. Our budgeted target was to break-even at the end of the year. Not only are we on course to meet this, but all our projections indicate that we shall substantially exceed the break-even point.

That is despite continuing membership losses caused by the crisis in the manufacturing industries.

Our strong asset base, one of the largest in the British trade union movement, ensures that we can look to alliances based on industrial logic and for no other reason.

Bill Morris,
general secretary,
Transport and General Workers' Union,
Transport House,
Smith Square, Westminster,
London SW1P 3JB

Scheme to speed debt payments contains flaws

From Mr Keith Tunstall.

Sir, The suggestions of Mr Martin Simons ("Far reaching consequences of paying promptly", Letters, September 26) for speeding debtor payments are fine in theory but are unworkable in practice.

Mr Simons refers to "agreed terms" but in practice terms are rarely agreed. An invoice endorsement of "21 days nett" is not binding on the purchaser unless specifically agreed to. Parties have opposing interests: the seller to receive payment as early as possible; the buyer to pay as late as possible. Mr Simons' suggestion of a rolling 35-day settlement cycle is impractical.

Most businesses of any size use calendar monthly accounting, and make a purchase ledger payments run at the following month-end. Some businesses are dilatory at sending their invoices in, yet expect prompt payment. Charging interest on overdue accounts is fraught. Many large companies would resist paying it, and the danger of soured relations is one which many small suppliers may not care to chance.

Keith Tunstall,
39 Grove Street,
Leamington Spa,
Warwickshire CV32 5AQ

OBSERVER

Promiscuous program

■ Thank heaven Sidney and Beatrice Webb didn't live to see it. After all, besides founding the London School of Economics, the prim Fabian couple returned from Stalin's Moscow in the 1930s extolling Soviet communism for eradicating "spooning in the parks".

So they'd be appalled by the doings of the 4,000 folk inhabiting LSE's Lifemod computer simulation model – a population invented by the school's researchers in order to analyse the impact of tax and social security on UK incomes.

Take Mr 62 for a start. Having had two children with Mrs 3678 who has now left him to marry Mr 1083, he has shacked up with Ms 2858, a single mum with two children and a third on the way. From the timing of her kids' arrival, it looks as though the caddish 62 was philandering with her beforehand.

Another marriage that has fallen apart around two children is the one between Mrs 2072 and Mr 254, who had seemed so contented during their 11 years together. Even so, he has found solace with Miss 3454, a 42-year-old spinster, and they show every sign of being settled for life. Meanwhile his ex-wife, evidently something of a raver, has had another child in her early 40s without bothering to marry the father.

What's worse is that such irregular goings-on are apparently essential if the model is to simulate the real behaviour of a typical group of 2,000 men and 2,000 women; "assortative mating" is the researchers' term for it.

But at least Lifemod's lascivious denizens don't live long enough to get a telegram from the Queen. Whatever their efforts to survive, they're killed off automatically at 96.

Reticent

■ One Australian who can't be accused of pommie-bashing is Down Under's treasurer John Dawkins, in London for a meeting with Norman Lamont.

Despite attempts beforehand to lure Dawkins into discussion of Britain's withdrawal from the exchange rate mechanism, he refused to be drawn. All he'd say was that he was "a bit surprised there was no Plan B".

Home truths

■ Out-of-work intellectuals need worry no more. Singapore wants you.

George Yeo, Singapore's minister of information and arts, has just unveiled his ambition to create a cultural and intellectual habitat in the island republic. Interesting minds, said Yeo, would be attracted to live and work in Singapore. Men and women of ability would be welcomed, including those without jobs in the former Soviet Union.

"We are tolerant and cosmopolitan because that is in our very essence, not by choice but by necessity," said Yeo. "No matter the land he hails from, every visitor finds a little of home in Singapore."

Former Soviet citizens may well agree. Thanks to a ban on satellite dishes, Singapore citizens cannot watch foreign TV. Films and videos are carefully censored. The press is most polite to the government. There's a ban on the sale of foreign publications, such as the Far Eastern Economic Review and Cosmopolitan magazine, which might offend Singaporean political or moral sensibilities.

'He got his redundancy money in sterling'

Oh yes. Former Soviets should also remember to leave their chewing gum at home. It too is prohibited.

Down the line

■ Is there more than meets the eye to last week's shuffle at the top of Northern Telecom, the ambitious Canadian telecommunications equipment maker?

Northern's spin-doctors are insisting that the arrival of Jean Monty as president and chief operating officer is merely a long-planned move to lighten the load on Paul Stern, the hard-driving American who has up to now carried the titles of chairman, chief executive and president.

Monty was previously chairman of Bell Canada, Canada's biggest telephone utility which, like Northern, is controlled by BCE Inc of Montreal. He brings with him a personable style and wide contacts among Northern's key customers in the North American telephone business. But some outsiders speculate that Monty's main job will be to keep an eye on his boss.

BCE is said to be concerned, among other things, with the way Stern has largely transformed Northern from a Canadian to a US company, hiring American executives for key jobs and moving a chunk of the head office from Toronto to Washington DC.

Expectations

■ Who is the Centre for Policy Studies' favourite couple? Why the newly-weds, of course, columnist Barbara Amiel and publisher Conrad Black, who will be in Brighton next week for the Tory party conference fresh from their two-month "working honeymoon".

The Thatcherite thinktank CPS has asked Amiel to deliver its annual lecture – traditionally held on the Thursday of the conference. Two years ago, Conrad Black was the guest speaker. His fiercely anti-federalist words, entitled "Conservatism and the paradox of Europe", fanned a heated debate, including on the board of CPS, which found itself in less than complete harmony over Europe.

Amiel, meanwhile, is set to speak on the suggestive subject: "What women can expect from John Major". Observer can't help feeling the more urgent question is what the nation can expect from its prime minister.

Ode mode

■ There once was a bird man from Kiev... It seems that 20 pilots from Air Ukraine are being sent to learn English at, of all places, the University of Limerick. That done, they'll move on to Seattle to learn to fly Boeing jets.

A bottle of malt to the begetter of the best limerick about an Air Ukraine pilot asking for permission to land at Heathrow.

FINANCIAL TIMES
Thursday October 1 1992

Brussels given noon deadline to agree arbitration in oilseeds regime row

US-EC trade war fears grow

THE US has given the European Community until noon today to agree to binding arbitration on its oilseed subsidy regime, twice condemned by a panel of the General Agreement on Tariffs and Trade as contrary to Gatt rules.

Rejection by the EC, which has consistently refused any form of binding procedure, would bring the Community to the brink of all-out trade war with the US just as senior officials from both sides are planning a push to break the deadlock in the Uruguay Round of global trade talks.

Equally critical, the ultimatum shows that the US is threatening to abandon the Gatt as a channel for resolving this long-standing dispute, endangering the foundations of the multilateral trade system overseen by the Gatt.

Trading partners have become increasingly anxious in recent years that US frustration with the Gatt system of resolving disputes will tempt it to use its might to settle them unilaterally.

Mr Julius Katz, deputy US trade representative, said in Washington: "If the proposal is rejected, that pretty much exhausts the Gatt process and we will have to draw appropriate conclusions. However, there is still the possibility of a negotiated agreement."

Washington stopped short of saying it would impose prohibitive tariffs on $1bn of EC food imports if Brussels does not act swiftly to remedy the trade losses to US soyabean farmers from its subsidy regime.

Mr Katz said the US might continue talks with the EC in the hope of averting a trade war.

The EC has refused to change the subsidy system, offering instead other trade concessions which have been rejected by the US and other oilseed producers. Brussels says it will retaliate if the US imposes sanctions.

Mr Rufus Yerxa, US ambassador to the Gatt, told Gatt's governing council the US was insisting on an effective procedure to determine "once and for all" whether the EC was going to implement the panel findings on oilseeds or whether aggrieved parties had the right to retaliate.

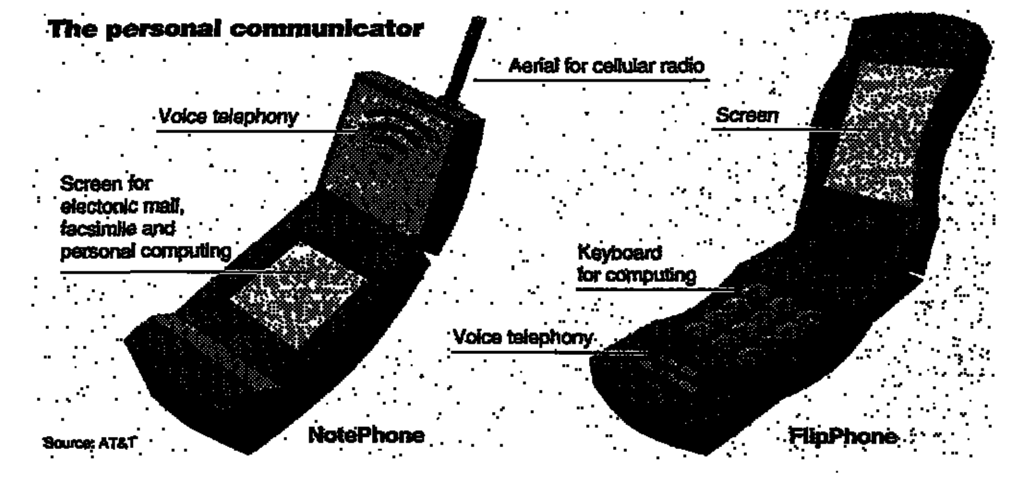
Mr Yerxa said the US could not accept compromise EC proposals made late on Tuesday for a loosely structured working group with no arbitration powers.

Under the original US proposal, a three-member panel would determine within 30 days how much damage the EC subsidy regime caused oilseed exporters. If the Community rejected the panel findings, trading partners would have the right to retaliate.

The US has put global trading losses at $2bn a year, with its own soyabean farmers accounting for $1bn. The EC says the figure is no more than $400m.

"An oilseeds deal would be a nice confidence-building agreement for the Uruguay Round. I don't see how we can come up with a Uruguay Round settlement without one," one EC trade negotiator said.

Gatt deal hopes, Page 8



US-Japan consortium plans communications revolution

By Alan Cane and Michiyo Nakamoto in London

AN INTERNATIONAL consortium including AT&T, the US telecommunications group, and Matsushita of Japan, the world's leading consumer electronics company, is poised to win the race to launch the world's first "personal communicator" – a combined pocket telephone and personal computer.

The consortium, which includes Marubeni, the large Japanese trading house, and EO, a Californian computer designer, will today announce a partnership to market a family of portable communicators combining voice telephony, electronic mail, facsimile and a personal word processor accepting handwritten input.

Development work is complete and the first of the devices is expected to be announced by the end of the year. The first personal communicators will probably cost as much as a notebook computer – about $1,000 – but prices are expected to fall sharply as sales volumes grow.

Mr Alain Rossman, chief executive of EO, said: "Personal communicators integrate telephony, messaging and computing to create a compelling new device which will have as much impact on person-to-person communications as the telephone had in the early 1900s."

The consortium is in talks with a potential European partner.

It is the latest example of a growing number of cross-industry and global alliances being formed as advances in technology start to erode the boundaries between the computer, consumer electronics and telecommunications industries.

It is understood that the partners have subscribed $38m to bring the devices to market.

Personal communicators are examples of a new class of portable devices, combining the power of personal computers and the communications capabilities of cellular telephones.

Apple Computer triggered expectations of a vast new consumer market earlier this year when it announced that it would launch next year a "personal digital assistant", called Newton, an electronic organiser which will accept handwriting.

Apple has since suggested that Newton might be more suited for commercial than consumer use, indicating that it is having difficulty building the device to sell at a commodity price.

Collor to hand over to interim president

By Christina Lamb in Brasilia

THE Brazilian vice-president, Mr Itamar Franco, is expected to take over as interim president today and to announce an emergency legislative programme including proposals for fiscal reform.

Mr Franco will take office following the Congressional decision on Tuesday night to start impeachment proceedings against President Fernando Collor de Mello on corruption charges.

The overwhelming 441-38 vote by the lower house strips Mr Collor of his power for up to 180 days while the senate tries his case. If found guilty, he would be removed, and barred from public office for eight years.

A spokesman for Mr Franco said a programme, including tax reform and health and education changes, would be announced once he was confirmed in office. The vice-president's main concern was a return to economic growth after three years of recession.

However, economic advisers to Mr Franco said there were no plans to introduce a shock economic plan – such as those tried by Mr Collor early in his term – to beat inflation. Fiscal reform to improve the government's budgetary position is widely seen as necessary to tackle inflation running at over 20 per cent a month.

A spokesman for Mr Collor said the president had no plans to resign. "The word resignation has not been mentioned by him," Mr Etewaldo Dias said.

This would leave Brazil with both an interim president and a suspended president until the end of the trial of Mr Collor, who is accused of benefiting from an extensive corruption network during his term of office.

Mr Dias said that Mr Collor would collaborate with the transfer of power. "He wants the process to be civilised and to cause the minimum possible social agitation". He said the president would agree to stand trial in the Senate.

Mr Collor's entire cabinet, including Mr Marcilio Marques Moreira, the economy minister also resigned as expected yesterday, although ministers will continue working until their successors are named. The only new appointment so far confirmed is Mr Fernando Henrique Cardoso as foreign minister.

Intense discussions were under way in Brasilia, the capital, yesterday over how to transfer power to Mr Franco. The result of the vote and the official request for Mr Collor's suspension from office was delivered in the morning by Mr Ibsen Pinheiro, the president of Congress, to Mr Mauro Benevides, the Senate president.

Still emotional from the previous night's proceedings, Mr Pinheiro said the request contained "a profound lesson for the whole nation and a clear demonstration of the strength of our institutions".

Meanwhile, Mr Collor spent his last day in the presidential palace contemplating the apparent end of his political career.

High office for man who aimed low, Page 5

THE LEX COLUMN

Carpeting for Sir Leon

The European Commission decision to clear Du Pont's acquisition of the ICI nylon business will surely leave Sir Sydney Lipworth chuckling into his cornflakes. The chairman of the UK's *Monopolies and Mergers Commission*, it will be remembered, caused something of a stir earlier this year when he suggested that Brussels' role in competition matters must be made more transparent. Yesterday's case, which concerned the concentration of nylon fibres for carpet making, appears to prove his point. Rumour and leaks have created an impression that the EC's Merger Task Force made one recommendation on competition grounds – and that the compromise solution now announced by Sir Leon Brittan reflects wider considerations. It is too much to expect politicians not to meddle, but not unreasonable to demand that they tell us how they do it.

To be fair to Brussels, the EC authorities probably got the first bit right. ICI and Du Pont argued fiercely that the regulators should look at the *polypropylene and nylon fibres market* as a whole, but influenced no doubt by squeals of protest from the carpet manufacturers the European Commission decided that Du Pont's 43 per cent combined share was too much. The problem is the tortuous set of undertakings intended to maintain competition, which, as with the Nestlé/Perrier conditions, contain alarming echoes of a *dirigiste* industrial policy approach.

In mineral waters the idea was to create a third force in the French market. This time the plan is that Du Pont will hand over production capacity and R and D facilities – comparable in quality to its own – to an as-yet unnamed third party. Quite how this will be policed is a mystery, but it seems a safe bet that given its dependent status the new player will not provide as effective competition for Du Pont as ICI has in the past.

FT-SE Index: 2553.0 (-12.5)

Bank of Scotland

Bank of Scotland has seen some erosion in its premium over the rest of the sector over the past year. But a running yield of little more than 5 per cent still suggests the market is expecting above average growth. In that context, an increase of only 3 per cent in first-half profits before provisions is disappointing news. It compares, for example, with a first half increase of 16 per cent at Barclays and 11 per cent at National Westminster. Although the measure is crude, profits before provisions were only 16 per cent of shareholders funds at the half-way stage compared with 21 per cent for both Barclays and NatWest.

Arguably a smaller return is justified by Bank of Scotland's sound *lending record and low provision rate* compared with its peers. It could also be sensible to expand lending at the bottom of the cycle when competition is thin and collateral values have already fallen. Yet, the nagging worry remains that the return is too low.

Part of the problem is a rapid rise in operating costs. Part is almost certainly the bank's relatively heavy dependence on expensive wholesale funding. Its reluctance to develop an extensive branch network south of the border makes it harder to attract retail deposits. By concentrating on these issues as well as volume, the bank could enhance its earnings. That might slow the fall in its tier 1 capital ratio. At 6.1 per cent the figure is perfectly comfortable, but it is still 0.7 points lower than a year ago.

Sweden

Yesterday's emergency package from the Swedish government seems to have impressed the markets rather more than last week's effort. The cut in private-sector payroll taxes will help make Swedish companies more competitive without resorting to devaluation. The government's determination to tackle its fiscal problems has allowed a cut in interest rates, easing pressure on the economy and the financial system.

But it would be wrong to conclude that Sweden is out of the wood. The tax changes will add only 2 or 3 per cent to international corporate competitiveness. Purchasing power estimates suggest the krona is overvalued by 10 to 15 per cent. Added to that, Finland, which competes with Sweden in forest products, has devalued the markka by around a quarter in the last year. The fiscal problems are still enormous: the 1992-93 budget deficit is likely to reach 12 per cent of GDP as the economy slows.

Indeed, in the short term, action to slim the bloated public sector may make matters worse. Part of the pressure on the krona has come from the belief that Sweden cannot maintain high interest rates for long because the economy is so weak. Cuts in government spending will deepen the recession. Ultimately, however, the fate of the krona will be decided elsewhere. If pressure on the ERM as a whole subsides, the Swedes may get time to sort out their long term structural problems. If not, they will suffer a similar humiliation to Britain at the hands of the market.

Eurotunnel

Things appear to be going more Eurotunnel's way, which is just as well given that there is £100m of sorely needed equity riding on the warrants. The shares closed at 420p last night, just a touch above the 416p exercise price. Shareholders should not get too carried away, though. Yesterday's heartening arbitration decision should not be confused with the still unresolved negotiations with the contractors, while the impact of falling interest rates should not be exaggerated. Real interest rates are the key, and here Eurotunnel's projections still look optimistic.

Ratners

It seems that the trading position at Ratners is not completely hopeless, and ordinary shareholders may keep going long enough to be heavily diluted by the banks and preference shareholders. Better control of costs and working capital is part of the answer, and one wonders how much better the group might have fared if it had acted earlier, rather than continuing with *acquisitions as the recessionary* storm gathered. Mr Gerald Ratner's salary, now modestly below £400,000, is defended on the grounds of his continuing contribution to the group. Shareholders may see matters differently.

Major and Mitterrand

Continued from page 1

avoid Community involvement in matters which should remain the subject of national action".

Mr Major and Mr Mitterrand signalled their hope that the forthcoming EC summit in Birmingham would produce "a clearer understanding of the respective competences of the member states and the Community". Helmut Kohl, the German chancellor, has also made it clear that he is on the same wavelength as the British and French leaders about the need for greater "subsidiarity".

Speaking on Channel 4 News Mr Schlüter said he shared the view that it would be important to add a statement to the treaty clarifying how subsidiarity should apply. He said he thought that setting out a framework of the types of decisions to be made at national rather than Community level would help to change Danish public opinion towards the agreement.

Mr Douglas Hurd, the foreign secretary, will today offer a vigorous defence of the Maastricht agreement, coupled with a warning that the UK's interests are unlikely to be as well served without the treaty, when he addresses an occasion organised by the European Policy Forum, a London think-tank.

In a speech that will set the UK government's line of argument for the coming months, Mr Hurd is expected to argue that Maastricht represents the opposite of a blueprint for a federal Europe.

Kerry report on BCCI will criticise Bank

By Alan Friedman in New York

THE CONDUCT of the Bank of England is expected to be severely criticised today in an 800-page report on the Bank of Credit and Commerce International scandal to be released in the US Senate.

The report, which follows a four-year investigation led by Senator John Kerry, a Massachusetts Democrat, will pre-empt some of the findings of the still unpublished report on BCCI by Lord Bingham.

Yesterday, Mr Kerry said: "We've known for a while that the BCCI scandal would turn out to be the biggest example of financial crime in recent memory, but it also demonstrates a grotesque network of greed and influence."

Others who are expected to be criticised in the report include the government of Abu Dhabi, the majority shareholders of the collapsed BCCI, and Price Waterhouse, the bank's auditor.

Abu Dhabi has been repeatedly criticised by Mr Kerry and by US prosecutors for its withholding of documents and witnesses from US authorities. Last week Abu Dhabi's Washington lobbyists claimed Abu Dhabi was now co-operating with the US.

Abu Dhabi's Washington representatives said that 19,000 pages of BCCI-related documents would be made available to US authorities, but US officials will not be allowed to take physical possession of them and will be permitted only to review them at the Washington embassy of the United Arab Emirates.

Separately, it has been learnt that US officials are investigating the role of Abu Dhabi in the BCCI affair.

British Foreign Office officials are understood to have been trying to monitor the timing of the Kerry report's release in recent weeks; the report has been delayed by a week past its scheduled publication date. UK officials are understood to have been especially worried that the report might have been released during the World Bank and IMF meetings in Washington last week.

Mr Kerry, whose Senate subcommittee has held 14 public hearings and one closed session on BCCI over the past four years, has made use of the testimony of dozens of witnesses and several hundred thousand pages of documents for the report.

Senator Hank Brown, the ranking Republican who was joint author of the report, said it was a powerful example "of the way governments around the world sometimes don't work".

Mr Brown said that in the US BCCI had "circumvented our banking system, slipped past our federal law enforcement system, facilitated drug trafficking and attempted to use the revolving door of Washington politics to escape capture."

Auditors face claim, Page 14

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	17	63	Frankfurt	C	16	61	Majorca	S	26	79	Oporto	F	20	68	Tenerife	S	26	79
				Brussels	C	15	59	Geneva	S	17	63	Malaga	S	23	73	Oslo	S	10	50	Tokyo	F	22	72
				Budapest	F	12	54	Gibraltar	S	21	70	Malta	S	28	82	Paris	S	19	66	Toronto †	F	3	37
Ajaccio	F	24	75	Buenos Aires	F	24	75	Glasgow	R	12	54	Manila	F	30	86	Prague	F	18	65	Tunis	F	27	81
Algiers	C	27	81	Cairo	F	30	86	Helsinki	C	11	52	Melbourne	C	15	59	Reykjavik	R	11	52	Valencia	S	25	77
Amsterdam	F	18	64	Cape Town	S	22	72	Hong Kong	F	30	86	Mexico City	C	16	60	Rhodes	S	25	77	Venice	S	20	68
Athens	S	25	77	Caracas	F	30	86	Innsbruck	C	14	57	Miami †	F	25	77	Rio de Janeiro	C	29	84	Vienna	F	16	61
Bahrain	S	33	91	Casablanca †	S	22	72	Inverness	R	14	57	Milan	S	22	72	Rome	S	26	79	Warsaw	C	14	57
Bangkok	R	33	91	Chicago †	S	5	41	Islamabad	F	32	90	Montreal †	C	2	36	Salzburg	C	13	55	Washington †	S	8	46
Barcelona	F	24	75	Cologne	R	14	57	Istanbul	S	24	75	Moscow	F	13	55	S'Francisco †	C	17	63	Zurich	S	17	63
Beijing	S	21	70	Copenhagen	S	13	55	Jakarta	R	33	91	Munich	C	13	55	Seoul	S	22	72				
Beirut	S	28	82	Corfu	F	23	73	Johannesburg	S	25	77	Nairobi	C	23	73	Singapore	C	33	91				
Belfast	F	11	52	Dallas †	S	12	54	Lisbon	S	22	72	Naples	F	26	79	Stockholm	C	9	48				
Belgrade	F	18	64	Dublin	C	13	55	London	C	17	63	Nassau	C	30	86	Strasbourg	C	18	64				
Berlin	C	15	59	Dubrovnik		--	--	Los Angeles †	S	19	66	New Delhi	S	34	93	Sydney	S	18	64				
Biarritz	F	20	68	Edinburgh	R	11	52	Luxembourg	C	15	59	New York †	S	8	46	Taipei	F	29	84				
Bombay	F	31	88	Faro	S	23	73	Madeira	S	23	73	Nice	S	23	73	Tangier	S	32	90				
Bordeaux	F	30	86	Florence	F	24	75	Madrid	S	22	72	Nicosia	S	22	72	Tel Aviv	S	29	84				

Temperatures at midday yesterday
† Noon GMT temperatures
C - Cloudy Dr - Drizzle
F - Fair Fg - Fog H - Hail
R - Rain S - Sunny
Sl - Sleet Sn - Snow
T - Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday October 1 1992

INSIDE

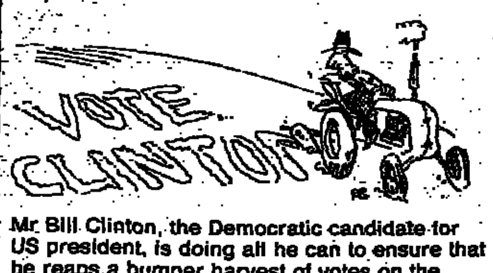
Ambroveneto set for shake-up

Banco Ambrosiano Veneto (Ambroveneto), Italy's biggest private-sector bank, is set for a big shake-up after this week's confirmation that a second big stake is up for sale. Gemina, the investment group, wants to dispose of a 13.5 per cent holding, while a group of four banks also wants to pull out. **Page 22**

Bank of Scotland sees no upturn

Bank of Scotland warned that it was continuing to suffer from large losses on loans and was doubtful of any improvement in the rest of the year. Scotland's second biggest bank reported pre-tax profits in the six months to August 31 were £74.2m ($132m), 2 per cent lower than in the comparable period. **Page 26; Lex, Page 20**

Sowing the seeds of victory



Mr Bill Clinton, the Democratic candidate for US president, is doing all he can to ensure that he reaps a bumper harvest of votes on the Farm Belt. Last weekend in Iowa, Mr Clinton promised farmers what all candidates must – higher prices. **Page 28**

Retailer pulls up its socks

Sears, Roebuck is trying to get rid of its derisory "socks and stocks" image by pulling up its socks and shedding its stocks. The US retailer is to spin off its non-retailing businesses to be left with retail merchandising and composite insurance, and less debt. **Page 23**

Welcome boost for Sweden

The Swedish stock market rallied 6.4 per cent yesterday following the reduction in domestic interest rates and the announcement of new measures to improve the country's industrial competitiveness. The rise was a welcome boost for a market which so far this year has had its worst year since the 1930s. Before yesterday's events the Affarsvarlden general index had fallen 28 per cent since the start of the year, and 35 per cent since its peak in May. **Back Page**

Call for extra smelters

The western aluminium industry needs to build 13 new smelters by the year 2002 if it is to keep pace with expected growth in demand, according to Mr Harry Helton, executive vice-president of metals and raw materials, at Reynolds Metals, the second-largest of the US aluminium groups. **Page 28**

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)							
Rises				**Rises**			
Bilf & Berger	838	+	17	Bancaire Cie	350	+	15
Leifheit	400	+	15	Imetal	318	+	12
Falls				Peugeot	544	+	19
Asko	515	–	17	Roussel-Uclaf	408	+	33
Douglas Hldg	425	–	12	**Falls**			
Porsche	480	–	20	Eridania B-Say	615	–	24
Schmalbach Lub	305	–	28.5	GTM-Entrepose	360	–	19
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Network Equpmt	12¾	+	1⅜	Aisin Seiki	960	+	85
Security Tag	2 15/16	+	9/16	Kanto Denka Kog	478	+	47
Falls				Mitsuboshi Belt	544	+	44
Computervision	6⅛	–	3⅛	Riken Keiki	530	+	44
Gensia Pharm	20½	–	1¼	Shoko	470	+	45
Morgan Stanley	48	–	½	**Falls**			
Times Mirror	30½	–	¾	Godo Shusei	548	–	50
PARIS (FFr)							
LONDON (Pence)							
Rises				Clarke Foods	7	–	3
AvonRubber	421	+	26	Cluff Res	11½	–	2
Brit Aerospace	128	+	10	Courtaulds	456	–	32
Hogg Group	131	+	14	Grand Met	395	–	18½
HuntleighTec	740	+	27	HTV	20	–	5
Jacques Vert	74	+	10	Hepworth	228	–	15
Lincat	78	+	5	Kenwood Appl	219	–	19
Pittencrieff	248	+	19	Lloyds Abbey	346	–	15
SherwoodGroup	130	+	12	TI Group	270	–	20
Trafalgar Hse	60½	+	5½	Tarmac	71	–	4
Vaux	189	+	15	Titon	134	–	11
Falls				Whitecroft	22	–	4
BM Group	91	–	15				
Barclays	337	–	14				

Suez issues warning on first-half profits

By Alice Rawsthorn in Paris

SUEZ, one of France's most powerful financial and industrial groups, yesterday warned that first-half profits would fall below expectations this year because of the impact of the fragile French property market on Indosuez and La Hénin, its main banking subsidiaries.

Suez yesterday announced that its net profits would be significantly below the FFr1.8bn ($350m) it made in the first six months of last year, because of a hefty rise in provisions mainly on property. The group anticipates an increase in provisions from FFr400m in the first half of 1991 to at least FFr2bn in the same period this year.

However Suez stressed that it expected to remain profitable in 1992 and said its dividend policy would remain unchanged. In spite of this assurance its shares fell on the profits warning, tumbling as low as FFr226 then recovering to close at FFr236.2, down FFr3.3 on the day.

The Suez announcement follows a series of lacklustre interim results from French financial groups, all of which have been hit by falling property values and the rise in small business failures. The French property market has come under intense pressure this year because of the sluggish economic climate and the relatively high rate of real interest rates.

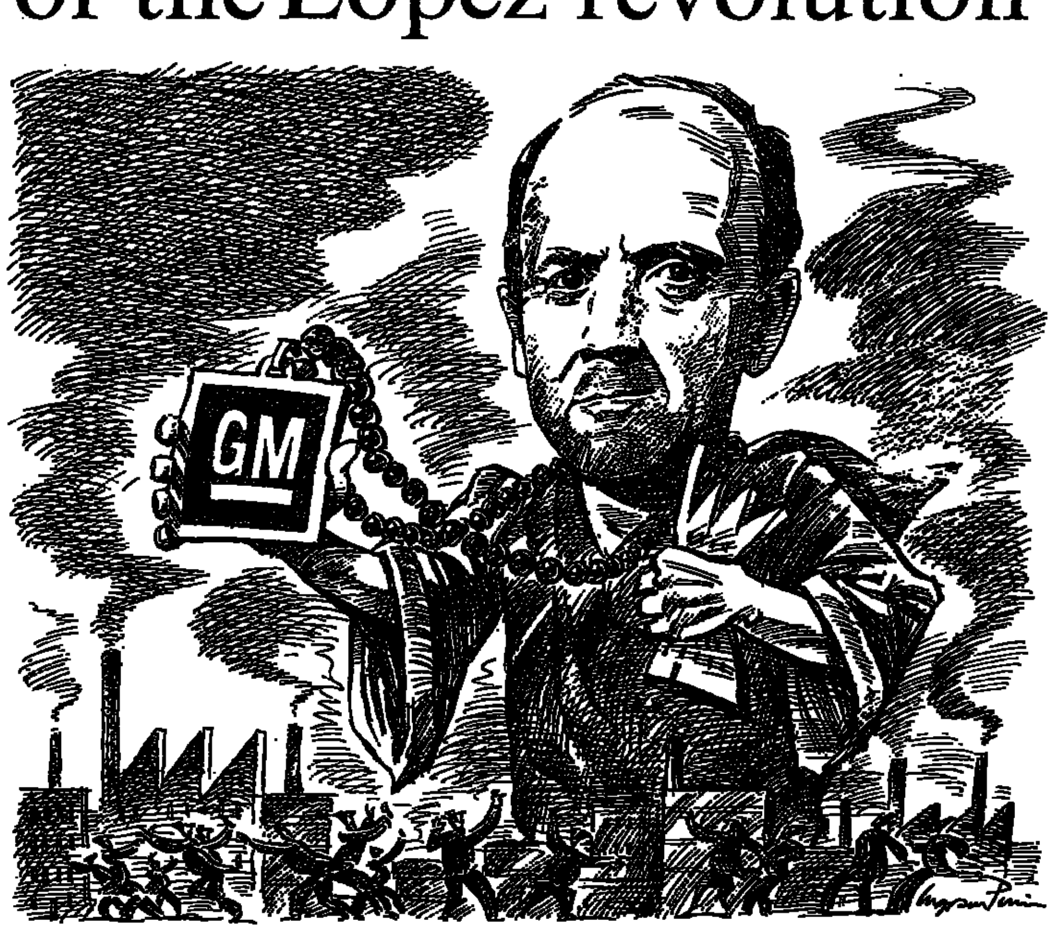
Paribas, the investment banking group, announced on Tuesday that it was only able to avoid a steep fall in interim profits because of the proceeds of its disposal programme. Crédit Lyonnais, one of France's biggest banks, last week disclosed that it only just broke even in the first half. Indosuez saw its net profits fall sharply to just FFr81m during the first half from FFr517m in the same period last year. Operating profits mustered growth of 10 per cent to FFr1.66bn, against FFr1.5bn, on net banking income which rose by 8 per cent to FFr5.49bn.

But the precarious state of the property market forced the bank to raise provisions from FFr544m to FFr1.39bn. Mr Antoine Jeancourt-Galignani, chairman, warned that provisions would remain high in the second half.

Meanwhile Banque La Hénin barely broke even during the first half with net profits of just FFr6m compared with FFr66m in the first six months of 1991. It mustered a marginal increase in operating profits, but was hit by the need to make hefty provisions on its property interests.

Martin Dickson on the man who is forcing General Motors' suppliers to shape up

Detroit feels whip hand of the Lopez revolution



Listen to the cries of anguish echoing around Detroit these days and you might conclude that Mr J. Ignacio Lopez de Arriortua is a latter-day Spanish inquisitor.

After only four months in charge of worldwide purchasing at General Motors, Mr Lopez, who hails from Spain's Basque country, has managed to fill a sizeable proportion of the US car group's parts suppliers with fear, trepidation and anger.

The cause: a drive to cut costs through a radical shake-up in the way the group organises its parts purchases in North America and its links with suppliers. This involves methods tested by Mr Lopez during the 1980s at once-ailing GM Europe, which has become one of the world's most profitable car manufacturers.

Tall, slim and 51 years old, Mr Lopez has a charming, informal manner that belies his axeman reputation.

Supporters say Mr Lopez is implementing a long-overdue shake-up of GM's ties with suppliers. But some parts makers have accused him of undermining their relationship with GM by putting contracts up for renegotiation and demanding unrealistic improvements in what they argue are good productivity records and thin profit margins.

There are few more pips left to squeak, they say, after a parts industry rationalisation in the 1980s which cost 100,000 jobs.

Not so, replies Mr Lopez. At a press briefing this week he answered his critics for the first time and declared that:

- Many US parts manufacturers are less competitive than those in Europe and are capable of huge productivity improvements;
- GM is trying to form a new, closer partnership with its best suppliers, including advising them on efficiency and offering long-term contracts;
- The company has never said it intends to break existing contracts and has no intention of doing so, although it wants to prod suppliers into efficiency gains that feed into price cuts.

The outcome of the Lopez revolution could have widespread repercussions. His attempt to clamp down on GM's costs forms a crucial part of the group's struggle to return its core North American car business to profit. This is why he was plucked last May from his position as head of European purchasing, following a coup by GM board members unhappy over slow progress in turning US operations around.

GM obtains 70 per cent of parts from its subsidiaries, which will now have to raise efficiency and compete with outside suppliers. This could mean job cuts, prompting further clashes with the United Auto Workers' union.

Practical effects for GM's purchasing policy have been twofold. First, the company has changed the structure of its parts-buying bureaucracy. It previously ran a decentralised system under which parts for North American plants were bought by more than two dozen units. Now contracts are put out to global tender and have to be approved by Mr Lopez's team.

Second, Mr Lopez says GM is "concentrating our efforts on selecting suppliers who put the customer first ... in terms of quality, service and price". And it is doing so through a process with the brain-numbing title of Purchased Input Concept Optimisation with Suppliers, or Picos.

Picos means working with suppliers to improve relations, for example by reaching agreements on contracts years before a car is brought into production.

But its most dramatic manifestation has been GM's intervention in manufacturing processes. Mr Lopez says this involves GM drawing up global benchmarks of price and performance. It then contacts those among its suppliers that are not among the best worldwide and offers to help them improve.

Those that accept find themselves put through an intensive week-long study of working methods by members of Mr Lopez's 200-strong Picos team. In four months his team has conducted 101 US workshops These, he says, have yielded an average productivity improvement of 65 per cent, with a 52 per cent cut in material in process and a 35 per cent cut in floor space.

He presents Detroit-based General Safety, a manufacturer of seat belts, as one convert to the Picos system. Mr Al Fisher, its president, confirms that the company has enjoyed a 30 per cent productivity rise in areas converted from assembly line system to cell structure after suggestions from GM.

"It has improved our profitability and competitiveness," he declares.

For suppliers that work to meet its new standards, GM says it is prepared to offer the security of long-term contracts, covering the life of a vehicle, rather than contracts of one or two years. However, the future looks grim for manufacturers not prepared to accept GM's criticisms and help. GM may not cancel existing contracts, but will not sign new ones with suppliers that fail to toe the line.

Motor industry Cassandras say the new policy will mean a big cut in the number of GM suppliers, with smaller, less efficient manufacturers falling by the wayside. But Mr Lopez says that in Europe GM's supplier base has been little changed by Picos, while so far in the US "we have not lost 100 per cent of a single supplier".

Parts makers may moan privately, but none can afford to offend a company that buys $30bn of parts a year in North America alone. The Spaniard may be an inquisitor, but he is also their hope for salvation.

Du Pont deal with ICI to go ahead

By Andrew Hill in Brussels and Paul Abrahams in London

THE EUROPEAN Commission yesterday approved the planned swap of chemical assets by Du Pont of the US and Imperial Chemical Industries of the UK, but imposed strict and detailed conditions on the deal.

The compromise was put together by Sir Leon Brittan, EC competition commissioner, and the two companies.

Under the original deal, ICI would have swapped its nylon interests for Du Pont's acrylic business and $431m cash. The EC's merger task force said the deal should be blocked as it would give Du Pont 43 per cent of the market by value in nylon carpet fibre.

Sir Leon's solution – which avoids the political repercussions of blocking the swap – will force Du Pont to transfer 12,000 tonnes of ICI's nylon carpet fibre capacity to a competitor. The British group's annual capacity is 45,000 tonnes and the sale will bring the combined group's share of the market down to 38 per cent. Du Pont had insisted the deal would give the company only 14 per cent of the overall carpet fibres market.

The proposal was approved by commissioners without a vote, but competition experts outside the commission said they were concerned by the implications that competitors would have to co-operate closely. Sir Leon and his advisers argued that the nature of the fibres business allowed capacity transfers without jeopardising competition.

The swap of assets still has to be cleared by the US Federal Trade Commission. ICI is acquiring Du Pont's $300m acrylic business and will become the US' second largest acrylics manufacturer. The conditions *are among the most complex* Brussels has ever imposed. Du Pont will also have to:

- Sell an entire research and development facility to the same competitor.
- Manufacture under contract to the competitor for at least five years.
- Give the competitor exclusive rights to ICI's "Timbrelle" trade mark, which is carried on about 80 per cent of the British company's carpet fibre production.

Competition officials said the capacity and related facilities must be sold to a single competitor, which would have to be a fibres manufacturer.

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Eurotunnel wins ruling on extra payments to contractors

By Andrew Taylor and Robert Peston in London

EUROTUNNEL yesterday won a victory over contractors building the Channel tunnel when independent arbitrators ruled that it did not have to continue paying an extra £50m ($85m) a month to the construction companies.

Contractors, however, will not have to repay the £200m of progress payments already made by Eurotunnel, which stopped making payments in August and will not resume payments.

Eurotunnel also confirmed that its bankers had granted a waiver allowing it to draw down funds for another two months even though it is in technical breach of its loan covenants.

The rulings will ease the pressure on Eurotunnel, which is involved in a dispute with construction companies over who should pay the extra cost of the tunnel, which has risen since 1987 from £4.8bn to more than £8bn. Negotiations foundered over the summer.

Sir Alastair Morton, Eurotunnel's co-chairman, was said last night to be delighted with the arbitrators' decision.

He was attempting to restart talks with Transmanche Link (TML), the consortium of 10 contractors, on settling the overall dispute.

A banker to Eurotunnel said he thought the decision would "speed up resolution of the dispute... It will galvanise people into action." The banker said it would increase pressure on TML to drop its remaining objections to a settlement.

The arbitration tribunal consists of three lawyers appointed under rules of the International Chambers of Commerce. Eurotunnel had asked the ICC to set aside a previous ruling by an independent panel requiring it to raise monthly progress payments to TML by £50m.

The original ruling in March by the disputes panel was made after companies threatened to stop work on installing a cooling system in the tunnel unless they received money to cover the cost.

TML said yesterday that it would "continue to safeguard the interests of its member companies by reserving its position on works outside its contractual commitment". Contractors, although disappointed by the Brussels ruling, said the £200m payments already received meant they could continue working until next year.

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Woolworths defers A$2bn float

By Kevin Brown in Sydney

THE fall-out from a failed A$1.2bn (US$860m) rights issue by Westpac Banking Corporation yesterday prompted Industrial Equity (IEL), part of the Adsteam group formerly controlled by Mr John Spalvins, to defer the A$2bn flotation of its Woolworths retailing subsidiary.

In a separate announcement, Adsteam reported a net loss of A$746m after abnormal items for the year ended June 1992. The group said the result was not comparable with its loss of A$1.57bn the previous year, which was determined on a different accounting basis.

IEL, which is jointly owned by the three main companies in the Adsteam group, said market conditions had changed "significantly" since the Woolworths float was announced in August, creating "a particularly unfavourable climate".

J.B. Were, the lead underwriter, agreed in August to underwrite a minimum capital raising of A$1.95m, but is understood to have failed to find sub-underwriters in recent days at the reduced level of A$1.85m.

The reluctance of institutions to support the float follows the failure last week of the Westpac rights issue, which was 72 per cent undersubscribed, leaving several hundred million shares in the hands of the underwriters.

The prospects for the Woolworths flotation have also been undermined by a steady weakening in the Australian share market and the announcement of a deeply-discounted A$1bn rights issue by Foster's Brewing Group.

Mr Paul Simons, Woolworths chairman, said he was "disappointed" by the delay in the flotation of the profitable retail chain, but said IEL directors had acted responsibly in the circumstances. "The events of the past week or so certainly put a lot of strain on the market," he said.

He expected the flotation to go ahead "when the markets are quite stable and there is no risk attached either to investors or the vendor".

In its results announcement, Adsteam said it made a profit of A$336m before deducting tax of A$24m, finance costs of A$638m and abnormal losses of A$420m, mainly related to property write-downs by IEL.

Woolworths made an operating profit of A$247m on turnover of A$9.2bn, compared with profits of A$218m on turnover of A$8.2m in the previous year.

UK delays sell-off of debt owed by privatised groups

By Richard Waters in London

THE UK government's plan to sell £1bn of debt owed to it by privatised companies has been delayed.

However, the government's advisers say that they will still be able to complete the sale before the current financial year ends next April.

The disposal, part of the Treasury's plans to raise £8bn from privatisations this year, had been due to proceed at the beginning of October, when potential buyers were to register their interest.

However, Baring Brothers, which is advising the government, said yesterday that it will not invite buyers to come forward until it has had "two or three weeks" more to look into how the sale is handled.

Mr Simon Best, a Baring director, denied yesterday that the bank had hit problems with the sale, or that it might completely revise the way the disposal is handled. The extra time was to allow Baring to look at possible refinements to its plans, which had been thrown up after a consultation process which ended on September 18, he said.

Baring said in August it would hold two auctions, one for debt owed by BT and one for the electricity companies.

To stimulate competitive bids, only the best £1bn of bids for the total debt, which has a current value of around £4bn, will be accepted.

Electricity companies are the only ones allowed to bid for their own debt, while BT will bid alongside third parties for its £1.689bn of debt outstanding.

The main tax problem standing in the way of the privatised companies buying back their own debt has already been resolved. The Treasury has agreed to allow them to bid at a lower level, reflecting the fact that they will not be able to claim any tax losses from buying back and cancelling debt which is currently trading at a premium.

However, Baring is now considering refinements to the tax position. One possibility would involve the debt being sold to specially-created companies run by the privatised companies, allowing the debt to remain in existence until its normal maturity date and so getting around the tax problems of early repayment.

Further complications have yet to be resolved on the accounting side. For instance, the premium paid by companies which buy back their debt is likely to be treated as a current expense in their accounts, reducing their profits.

A company which was borrowing to refinance the debt, though, would get around this accounting problem, since the premium could then be spread over the life of the new loan rather than being taken in one go.

Alcatel gains 20% to FFr3.1bn

By William Dawkins in Paris

ALCATEL Alsthom, the French telecommunications and engineering group, yesterday reported a 20 per cent rise in first-half net profits, mainly due to exceptional gains, and forecast higher earnings for the year as a whole.

Net income climbed to FFr3.1bn ($615m) in the first six months of this year, from FFr2.6bn in the same period of 1991, on sales up by 6 per cent to FFr79.47bn.

Most of the rise in net income is thanks to a FFr437m capital gain on the sale of Treasury stock. Operating profits, by contrast, fell by 3 per cent to FFr6.34bn.

This was "satisfactory in view of the current economic climate", said the group.

It blamed the slight drop in operating income on depressed conditions in the market for private telephone equipment and the fact that some recent acquisitions, such as Rockwell International's transmission systems business and Canada Wire, a cable supplier, were less profitable than the group norm.

A temporary reduction in Spain's telephone equipment investment programme hit operating profits, said the group.

On average, Alcatel Alsthom's subsidiaries produced a 5 per cent net return on turnover, the company said.

Fully diluted earnings per share rose by 8 per cent over the period to FFr24.70.

BCI improves 5.4% midway

By Haig Simonian

BANCA Commerciale Italiana (BCI) and Credito Italiano, the two big Italian banks owned by the Iri state holding company, reported differing results for the first half of this year.

BCI said six month earnings before taxes, depreciation and provisions, but after extraordinary items, rose by 5.4 per cent to L601.5bn ($510m), while operating earnings remained virtually static at L565.2bn.

Credito Italiano, Italy's sixth largest bank, which is due to be privatised shortly, reported a 19 per cent fall in gross operating profits to L405bn from L503bn.

Credito Italiano blamed the setback on its expansion programme, with the acquisition of stakes in smaller regional banks and a sharp rise in its branch network, and difficulties in the government bond market.

Higher interest earnings thanks to rising domestic interest rates should partly compensate for the problems on the bond side.

Interest earnings at BCI rose by 7.2 per cent to L1,283bn in the first half, while fee income declined by L2.5bn to L526.8bn.

Montedison plunges into L188bn loss in first half

By Haig Simonian in Milan

MONTEDISON, the Italian chemicals, energy and agro-industrial group controlled by the Ferruzzi Finanziaria holding company, plunged into a first-half loss of L188bn ($159m) compared with net profits of L108bn in the same period last year. Before tax and minority interests, Montedison showed a profit of L45bn.

Group earnings have been under pressure. However, extraordinary items have traditionally played an important role in lifting earnings. The company did not reveal what, if any, income had derived from extraordinary items this year, but said the total was less than the L350bn in one-off gains last time.

Montedison's results suffered from its continuing predilection for acquisitions and heavy investments at a time of recession, notably in chemicals.

Meanwhile, long-awaited disposals under its declared policy of concentrating on core businesses have not materialised. The company said earnings had temporarily gone "out of phase".

Group borrowings leaped by 24.5 per cent to L8,092bn from L6,499bn, while sales rose by 8 per cent to L7,562bn. Gross operating profits rose by 6 per cent to L932bn. About L1,100bn of the rise in debt stemmed from acquisitions, with deals in France, Italy and Hungary.

Montedison gave no indication whether it would close the year in profit. Substantial extraordinary earnings could arise from last month's plastics joint venture with Shell, which should remove some debt from Montedison's balance sheet.

It is unclear whether the transaction will be completed this year. The group hopes to float Sifi, the company into which it has put its minority holdings in financial services groups. While the short-term outlook remains poor, Montedison said the devaluation of the lira would benefit second half sales and earnings.

Bank's shares in a state of flux

Another stake in Ambroveneto is up for sale, writes Haig Simonian

A shake-up at Banco Ambrosiano Veneto, (Ambroveneto), Italy's biggest private sector bank, seems certain following this week's confirmation that a second big stake is up for sale.

Gemina, the investment and financial services group controlled by Fiat, wants to dispose of a 13.5 per cent holding. Its decision follows the news that a group of four co-operative banks from the Veneto region of northern Italy, which together form one of the five members of the shareholders' pool controlling Ambroveneto, also want to pull out.

Other constituents of the pool include Crediop, the big Rome-based bank bought last year by Istituto Bancario San Paolo di Torino, and Credit Agricole of France. Each member owns about 13 per cent of Ambroveneto, and has a right of first refusal on any stakes that come on offer.

The fact that Gemina wants to sell its shareholding, at the same L6,500 ($5.51) price per share being sought by the Veneto banks for their 13.6 per cent stake, means that more than a quarter of Ambroveneto's shares are in a state of flux.

The price demanded values the two packets of shares at about L415bn – more than twice the current stock market level.

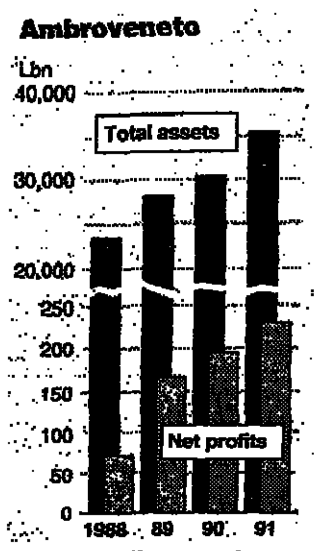
The premium reflects the rare opportunity to buy into a bank which has changed unrecognisably since the 1982 collapse of its predecessor and mysterious death of its chairman, Roberto Calvi.

Ambroveneto, which has just announced a 5.6 per cent rise in gross operating profits to L336.6bn in the first half of this year, is one of Italy' most successful and best-run banks. Buoyed by acquisitions and a rapidly growing branch network, deposits rose by 11.6 per cent to L16,923bn, while loans jumped by 16.3 per cent to L16,541bn, excluding Ambroveneto Sud, the Naples based bank bought from Citibank, and only consolidated from July 1991.

Surprisingly, Ambroveneto's share price has been relatively stable, in spite of the growing uncertainty about its future. The explanation lies in the rules of the shareholders' pact and Italy's complex new takeover code.

The stock market believes that the shares on offer will probably be redistributed within the pool, rather than offered to a potential raider. If both stakes were to be purchased by an existing member of the pact, the resultant holding of almost 40 per cent would be still insufficient to trigger a compulsory bid under the new takeover rules.

Both Crediop and Credit Agricole have said they are interested in increasing their holdings. Crediop's owner, San Paolo, now cash-rich following its L1,525bn flotation earlier this year, may see Crediop as a stalking horse for eventually gaining full control over Ambroveneto.



The bank would ideally complement San Paolo's existing branch network, which is heavily weighted towards its native region of Piedmont in north-western Italy, whereas Ambroveneto is strongest in Lombardy and the Veneto.

Credit Agricole may also have its eyes on the bank. A number of big French banks have been moving into Italy as a prime target for future growth. Credit Lyonnais controls Credito Bergamasco, a successful north Italian regional bank, while Banque Nationale de Paris has a small share in Bologna-based Credito Romagnolo.

However, both potential acquirers could face opposition from the Bank of Italy. The central bank may be reluctant to see control of the country's biggest private-sector bank passing to San Paolo, which is still largely in public-sector hands. Regulators may also be unwilling to accept a transfer of ownership to a foreign institution at a time when they are still trying to encourage the domestic concentration through mergers between Italian banks.

Such considerations have increased the difficulties facing Mr Giovanni Bazoli, Ambroveneto's chairman, who has successfully managed to keep up the shareholders' pact through past upsets.

Failing a purchase by either Crediop or Credit Agricole, the two stakes could be offered to outsiders. Mr Bazoli has long been considering a cross-marketing pact with an insurance company, which might be invited into the shareholders' pool to seal the relationship.

Alleanza, the life insurance subsidiary of Italy's Generali group, has long been tipped as a possible candidate, partly because Generali, though not a pool member, owns over 5 per cent of Ambroveneto's shares.

Alternatively, Mr Bazoli may be looking for a new foreign partner. A number of names have been mentioned. But why any non-Italian bank should want to pay twice the bourse price for a minority stake in a company in which another foreign institution is well entrenched is less clear.

Ratners interim losses rise to £30.6m

By John Thornhill in London

MR GERALD Ratner had a rough ride at the UK jewellery company's annual meeting yesterday as angry shareholders criticised his high pay and demanded his resignation.

It was left to the new chairman, Mr James McAdam, to quell the discontent and defend the chief executive's reputation.

Ratners, which claims to be the biggest jewellery group in the world, also released interim results yesterday which showed a steepening of pre-tax losses from £17.7m ($30.26m) to £30.6m for the six months to August 1.

The result was better than expected, especially considering the 19 per cent fall in sales to £364.6m. One analyst described the extent of the cost-cutting and margin improvement as "amazing in the circumstances" though representing an "appalling indictment of past management practices".

There was an ugly mood at the annual meeting as small shareholders sought reasons for the collapse of the company's fortunes and share price over the last year. One shareholder suggested Mr Ratner should have waived his "utterly obscene" pay of £574,452 last year until profits had improved. Another repeatedly called for his resignation.

Mr McAdam said the directors had waived their pay for one month in January. It had since been cut by about one-third to come into line with comparable companies.

He blamed the recession for the depth of the company's difficulties. "The immediate priority of this board is to get the trading line back on course. From that all else will flow," he said. "The issue of Gerald Ratner's resignation is not on the table."

The company yesterday refused to comment on its ability or intention to make a £58.5m bond repayment, due on October 30, but analysts suggested it would be close. Borrowings next month are expected to rise to about £370m for pre-Christmas stocking up.

The company also faces discontent from institutional backers. A representative of First Boston, the US investment bank, attacked the board for neglecting the interests of preference shareholders.

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MONTHLY AVERAGES OF STOCK INDICES

	September	August	July	June
Financial Times				
Government Securities	89.00	88.11	89.31	88.83
Fixed Interest	104.82	104.68	105.92	104.70
Ordinary	1794.5	1741.1	1856.5	2027.3
Gold Mines	75.0	83 6	90.1	101.8
SEAQ Bargains(5.00pm)	23,767	17,883	20,083	22,745
F.T.-Actuaries				
Industrial Group	1236.99	1199.33	1256.74	1348.67
500 Share	1301.03	1258.02	1319.06	1419.88
Financial Group	701.50	660.35	703.78	755.77
All-Share	1156.91	1114.83	1171.62	1260.28
FT-SE 100	2452.4	2344.1	2443.3	2604.4
FT-SE Eurotrack 100	1035.4	1039.99	1089.17	1164.01

	Highest Sept close	Lowest Sept close
Ordinary	1936.7 (24th)	1670.0 (1st)
All-Share	1234.41 (24th)	1089.89 (1st)
FT-SE 100	2621.2 (24th)	2298.4 (1st)
FT-SE Eurotrack 100	1073.79 (14th)	1003.44 (30th)

INTERNATIONAL COMPANY NEWS AND FINANCE

Philips hit by supply problems in audio battle

By Emiko Terazono in Tokyo and Michiyo Nakamoto in London

PHILIPS, the Dutch consumer electronics group, is facing an embarrassing setback in its attempt to take the lead in the next-generation portable audio market.

The launch, scheduled for today, of the digital compact cassette (DCC), a digital audio tape format developed by Philips, has been marred by a lack of pre-recorded digital tapes to listen to on the new machines.

Matsushita, the Japanese electronics group which is a co-developer of DCC, launched the world's first DCC systems in Japan last month. But while Japanese consumers can buy the much-heralded DCC machines, they cannot listen to pre-recorded DCC tapes which are being withdrawn due to alleged defects.

The DCC camp, lead by Philips, had said there would be about 500 titles ready for the planned worldwide launch. However, Philips had to postpone the launch of its machines due to defects.

The delay comes as consumer electronics makers prepare for the battle between DCC and mini disc, a format similar to a small compact disc developed by Sony.

Both DCC and mini disc are recordable digital audio equipment, but DCC hardware can also play the traditional cassette tape.

The months before Christmas are crucial to sales.

Record companies said they expect the launch of DCC tapes to be postponed until next month. The pre-recorded tapes, manufactured by Victor Company of Japan, which is 52 per cent owned by Matsushita, represent mainly regional titles.

Meanwhile, international titles, manufactured by Polygram, are still en route to Japan and are not expected to arrive on store shelves for another few weeks.

Sears Roebuck holds a multi-billion stock clearance

Patrick Harverson on the restructuring of once the world's biggest retailer – its second in four years

ONCE derided by Wall Street as a lumbering giant that sold a mishmash of "socks and stocks", and under criticism from its shareholders for poor performance, Sears Roebuck has taken the plunge. It is going to pull its socks up by getting rid of the stocks.

In a bold move aimed at ending the company's decline from its once-unchallenged position as the world's largest retailer, Sears announced on Tuesday a large chunk of its financial services business, the most profitable part of the group, would be sold to public and private interests over the next 12 months.

By spinning off much of the non-retailing business, the company's long-time chairman, Mr Ed Brennan, is admitting that his ambitious plan launched in the early 1980s to meet the shopping and financial services needs of America's middle classes has failed.

After the demerger is complete, Sears will be left with two core businesses – retail merchandising and composite insurance – and a lot less debt. Analysts estimate that the restructuring will shrink Sears' total debt load from almost $40bn to not much more than $16bn. About $3bn will be paid off from the proceeds of the sales, and the rest will simply be shifted off Sears' balance sheet to the books of the newly-sold companies.

Gone will be the highly-profitable stockbroking and credit card operation Dean Witter Financial Services, the residential property brokerage and relocation, mortgage and savings bank businesses of Coldwell Banker Financial Services, and 20 per cent of Allstate, the group's big composite insurance subsidiary.

The remaining 80 per cent of Allstate, which has been part of the Sears empire since 1931, will stay within the group, where it will be run alongside the struggling retailing operation which has acted as a drag on the group's share price since the late 1980s.

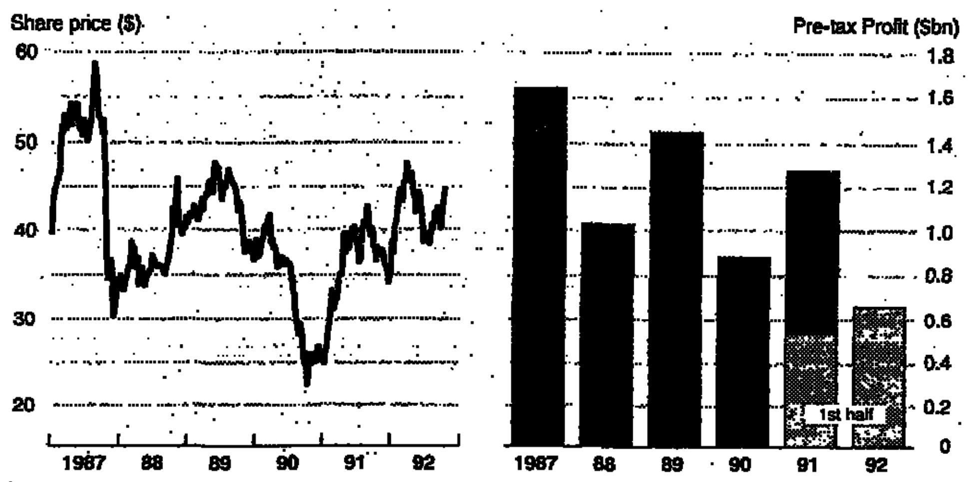
It was the poor state of the retailing business that prompted this week's dramatic move.

For several years Wall Street analysts have argued that the strong performance of the financial services operations was being overshadowed by the weaknesses on the retailing side.

Shareholders felt they were not getting their full value from the company because the share price never properly reflected the merits of the individual businesses.

The performance of the stock has certainly been disappointing. After hitting a high of almost $60 in 1987, Sears shares spent the next five years bouncing back and forth between $30 and $40, despite a prolonged bull market in US equities. The problem was twofold: earnings were in decline, from a peak of $1.63bn in 1987 to a low of $902m in 1990; and investors' perceptions of the company were dominated by the troubles of the retailing business.

Sears Roebuck



Source: Datastream
Source: Annual Report

Dissatisfaction with the way Sears was being run reached a head at the annual meeting in May this year.

A large group of shareholders, led by Mr Robert Monks, a professional shareholder activist, put forward five proposals aimed at shaking up the company and improving shareholder value. One of those proposals was a demerger of the financial services operations.

Although Sears' management, led by chairman Mr Ed Brennan, initially rejected the demerger idea, there is little doubt that the restructuring announced on Tuesday is a result of the pressure from shareholders. Mr Monks described the restructuring this week as a "victory for the corporate system in America".

Wall Street certainly believes the demerger is good for shareholders. The day it was announced, Sears stock jumped $3¾ to $44¾, and many of the analysts who had been quietly bullish on the stock this year said Sears' actions justified their confidence in the outlook for the company's earnings.

Mr Peter Siris of UBS Securities in New York was one of the many who applauded Sears' move.

He said: "Sears has a good value of between $80 a share and $90 a share, and the demerger does three things. It helps shareholders realise some of that value, it creates pieces that people will be able to understand so that the stock can fetch a fairer value, and it leaves the retail people free to turn around the retail side."

The restructuring of the retail operations is already under way. The company has reduced staff by 48,000 in the past two years, and taken out $1bn of costs on an annual basis. Further cuts are likely, says Sears' chairman, Mr Brennan: "In today's business climate you have to continue to pare away at costs."

Cutting costs is one thing, repairing the battered image of the company's stores is another. During the 1980s, Sears was squeezed between specialty and discount retailers, while its own stores looked increasingly antiquated alongside the brash newcomers. Customers stayed away in droves.

Since the start of the 1990s, Sears has worked hard at reorganising the layout and look of its 860 stores to bring them more up to date.

Even so, shoppers have been reluctant to embrace the new image. In the first half of this year the merchandising side made a profit of $95m, but that was entirely due to earnings from Sears' charge card business. Domestic retailing actually made a loss over the six months of $140m.

Analysts say more work needs to be done to sharpen the identity of Sears stores in a crowded market, and to nurse back to health the frail mail-order catalogue business.

The Standard & Poor's rating agency, however, said this week it believed "a more focused approach to marketing, broader merchandise assortments, along with continued cost savings should yield some near-term benefits".

Allstate, meanwhile, should require little attention. The company, which brought in profits of $723m last year, is the second largest underwriter of property/casualty premiums in the world, and unlike many other insurers, it has a solid investment portfolio.

Although it faces a loss of $700m on claims filed in the wake of Hurricane Andrew, Allstate should benefit from an expected upturn in the insurance cycle and a rise in rates over the next few years.

The sale of the financial services units are expected to go well. Sears says it hopes to bring in more than $3bn on the transactions. Dean Witter, bought for $607m in 1981, has built a strong presence in retail stockbroking, and last year, with the help of the fast-growing Discover credit card business, made a profit of $345m.

Coldwell Banker made a profit of $61m last year, and it is possible the operation will be sold in three different pieces: property brokerage and relocation, mortgage provision, and banking.

The 20 per cent stake in Allstate that Sears is floating on the stock market should also attract plenty of demand. Analysts estimate it could fetch between $1bn and $2bn, depending on how the insurer's assets are measured.

The tumultuous changes at Sears leave its chairman, Mr Brennan, in a shaky position. He will find it difficult to portray the demerger as his idea.

When dissident shareholders proposed spinning off the non-retailing businesses earlier this year Mr Brennan reiterated his belief that the diverse parts of Sears were more valuable operating under the umbrella of a single corporate entity.

This is also his second major restructuring of Sears in just four years.

In 1988 he proposed selling the Sears Tower in Chicago, the world's tallest office building, buying back Sears stock, and launching a new discounted price strategy for the group's stores. The only part of the plan that succeeded was the stock buy-back programme. Mr Brennan will be hoping for a better success rate this time.

Mitsubishi Petro lowers profits forecast

MITSUBISHI Petrochemical, the leading Japanese petrochemical maker, yesterday reduced its first-half pre-tax profit forecast to Y6bn ($49.6m) from Y13bn, and cut executive salaries by as much as 20 per cent, write Robert Thomson and Steven Butler in Tokyo.

The company blamed the lower-than-expected profits on the slowing Japanese economy, which has led to weaker demand for industrial products and severe price competition. Sales for the first half to end September are forecast at Y190bn, down from Y209.4bn last year, while pre-tax profits last year were Y19.6bn.

● Toshiba, the Japanese electronics company, said yesterday consolidated net profits for the year to March 1993 would drop by 49.4 per cent to Y20bn, a 60 per cent plunge from its forecast made in May.

Like other Japanese electronics companies, Toshiba has been forced to slash its profits forecasts in response to the unexpectedly severe downturn.

Toshiba said its heavy electrical apparatus business, including power generation equipment, continued to be firm. But sales of information and communication equipment, including computers, remained poor.

Toshiba forecast sales of Y4,730bn for the year, 0.2 per cent up from last year. Pre-tax profits would fall 30.4 per cent to Y80bn.

On a parent company basis, pre-tax profits are expected to fall to Y60bn from Y70.7bn.

Armco warns of bigger loss

ARMCO, the US steelmaker, yesterday warned its third-quarter loss would be larger than expected, reflecting softness in the aerospace, automotive and some electrical markets, writes Karen Zagor in New York.

It said its deficit would be slightly more than the $15m, or 17 cents, second-quarter loss, excluding one-time items.

Slide at Cockerill Sambre

By Andrew Hill in Brussels

NET PROFIT at Cockerill Sambre, the Belgian steel manufacturer, dropped from BFr3.1bn to BFr1.3bn ($42m) for the first half of 1992, hit by the slump in steel prices.

The company said yesterday it expected to make a profit for the whole of 1992, providing steel prices and volumes did not deteriorate much further.

During the first six months of the year, Cockerill generated turnover of BFr90.3bn, against BFr89bn last time.

The group said the figures were not directly comparable because of new companies consolidated in the year. Adjusted for this, first-half turnover at Cockerill, 87 per cent of which is owned by the regional government of French-speaking Wallonia, slipped by 2 per cent.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 01.10.92 — Pool purchase price £/MWh	Final Prices for Trading on 03.09.92 — Pool purchase price £/MWh	Pool selling price £/MWh
0030	17 70	17.76	17.76
0100	17 70	17 69	17.69
0130	17 70	17 69	17 69
0200	17.70	17 69	17.69
0230	17 70	17 69	17 69
0300	17.70	17 69	17 69
0330	17.70	17.69	17.69
0400	17 70	17.69	17 69
0430	17 70	17 69	17.69
0500	17.70	17.58	17.58
0530	17.69	17.59	17.59
0600	17 62	17.59	17.59
0630	17.68	17.69	17.69
0700	17 68	21.51	24.45
0730	25.38	23.05	26.03
0800	27.28	23 36	26.31
0830	27.75	23.71	26.63
0900	27.75	25.08	28.02
0930	27 28	25 09	28 04
1000	27.28	25.10	28.04
1030	27.28	25 09	28.02
1100	26.24	24.65	27.54
1130	26 24	24.67	27.57
1200	26.24	28.10	31.08
1230	26.24	28.09	31.07
1300	26.24	25.09	27.99
1330	25 36	24.61	27.50
1400	24.20	24 37	27.26
1430	24 20	23 70	26.57
1500	24 20	23.69	26.56
1530	24.20	23.69	26.57
1600	24.20	23.70	26.57
1630	28 00	23.70	26.57
1700	28.00	24.61	27.49
1730	28.00	24 60	27 48
1800	28 00	23 36	26.23
1830	28.38	23.25	26.12
1900	28.78	23.13	26 01
1930	30 51	21.59	21.59
2000	30.51	21.59	21.59
2030	30 51	23.25	26.12
2100	30.51	23.25	26.12
2130	26.38	23.25	26.13
2200	23 11	23.25	26.15
2230	23 11	22.72	25.62
2300	21.98	21.61	24 39
2330	21.17	17.85	17.85
2400	17.72	17.76	17.76

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5.15pm Monday to Friday.

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Property boom casualty list grows

Bernard Simon on how European investors took risks in North American real-estate

THE LIST of those paying a heavy price for stoking the red-hot North American property boom of the 1980s keeps on growing.

Besides US savings and loans, Japanese financial institutions and North American real-estate developers, it is now evident that many supposedly cautious banks and individuals in continental Europe took enormous risks in a market whose collapse has proved to be every bit as spectacular as its rise.

The European involvement has come to light through the bankruptcy of Montreal-based Castor Holdings, the top company of a tangled and mysterious international property syndication empire headed by German-Canadian financier Mr *Wolfgang Stolzenberg*.

It will be some time before the full extent of the pain suffered by Castor's shareholders and lenders is clear, but few would be surprised if these losses eventually top C$1bn *(US$800m)*. Mr *Stolzenberg, who also has other business interests in Europe and North America, is said to have lost about C$30m himself in the* Castor debacle.

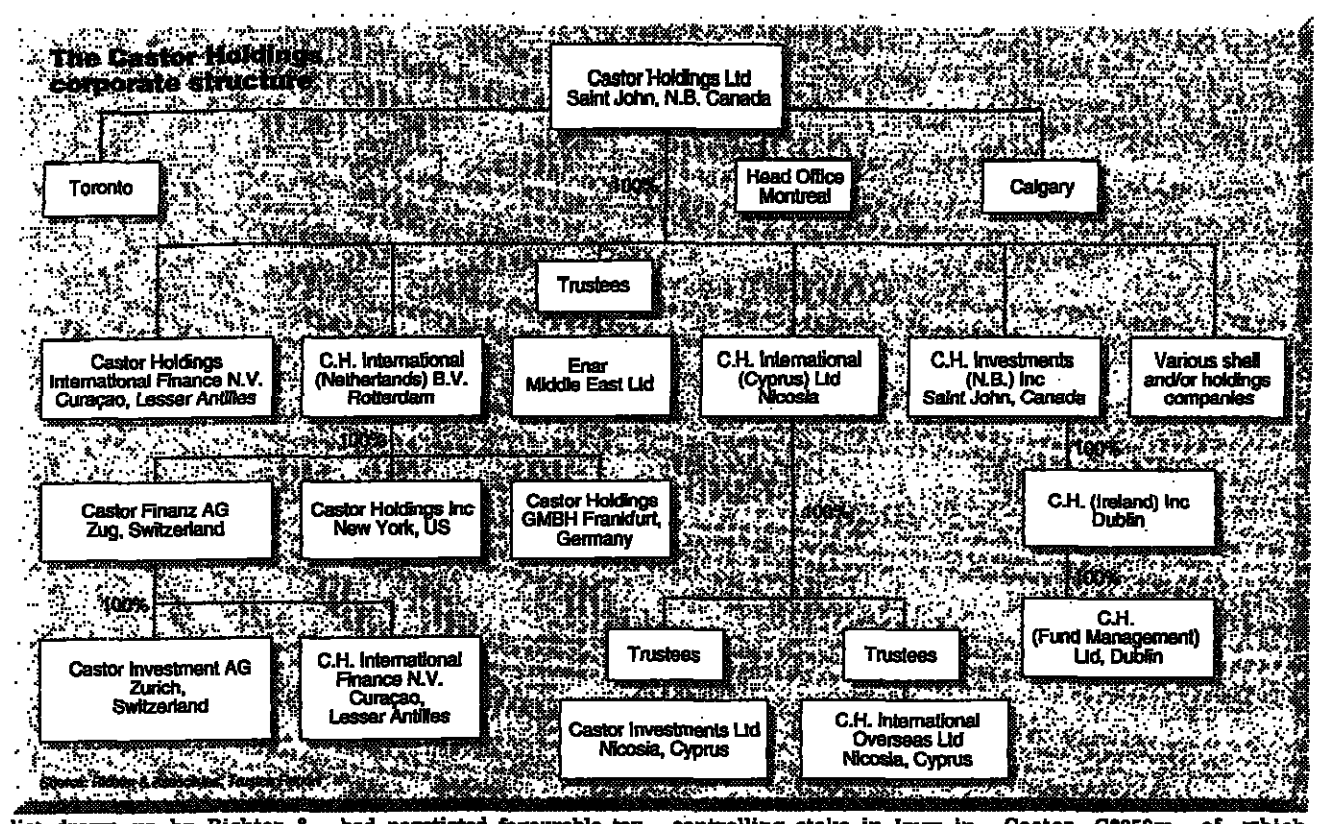
With assets of C$2bn at the end of 1990, Castor did most of its business in the riskiest part of the real estate market.

It provided second and third mortgages and construction loans to developers, either to top up first mortgages provided by banks, or to bridge the gap until permanent financing could be put in place.

During the 16 years of its existence, Castor financed some 55 to 60 properties in North America, ranging from New York's Gorham Hotel, to condominiums in Florida and one of Montreal's biggest shopping centres.

Much of its money was sunk into hotels and undeveloped land, which are among the forms of real estate least likely to generate a strong cash-flow when the economy turns sour.

Castor's biggest creditor is the Chrysler Canada pension fund (with an exposure of more than C$200m). But the bulk of its funds came from European banks and individuals.



The names on a creditors' list drawn up by Richter & Associates, the bankruptcy trustee, range from Credit Suisse, BHF Bank, Sal Oppenheim & Cie and Banque Nationale de Paris, to numerous individuals identified only by their initials or by the lawyers representing them in Germany, Switzerland and Liechenstein.

"People were investing many millions," says one of the small army of lawyers representing Castor's shareholders and lenders. As a result, "Castor could take time and go to some cost to investigate the best way of doing its transactions."

For more than a decade after its formation in the mid-1970s, its investors enjoyed handsome returns. Second and third mortgages carry premium interest rates, and the company also extracted sizeable fees from developers for arranging finance for their projects.

These deals also provided huge tax savings, especially to Germans. With the help of tax experts at auditors Coopers and Lybrand, Mr Stolzenberg channelled about half of Castor's funds through subsidiaries in jurisdictions which had negotiated favourable tax treaties with Germany.

The most active offshoots were in Ireland, Cyprus, Curacao and the Netherlands. By using these vehicles, German lenders were able to pay a much lower rate of tax on their interest income than they would by investing directly in North America.

Castor's equity ballooned from C$2.1m in 1978 to C$191.6m in 1990. Assets, almost all in the form of high-risk mortgages, grew from C$18m to C$1.9bn.

As a private company, Castor was not obliged to issue prospectuses, and much of its business appears to have been done by word of mouth. "They spent a lot of money doing beautiful presentations," says a lawyer representing some of the individual investors.

Many questions remain to be answered, however, about Castor's life and its death. Among them is its relationship with two property developers, Imry Merchant Developers of the UK and York-Hannover, most of whose business is in Canada.

Mr Stolzenberg acquired a controlling stake in Imry in 1989. According to accounting records in Zug, Switzerland, which were examined by auditors Peat Marwick, Castor provided a C$93m loan to Imry, which itself has financial difficulties. Peat acted as a "co-ordinator" for Castor while it was under court protection earlier this year.

However, Mr Neil Stein, a Montreal lawyer representing Castor's directors, said he had been told by Mr Stolzenberg and Imry directors that "they are unaware of any amount of money being owed by Imry to Castor or any of its subsidiaries". Neither Castor nor its creditors has so far lodged a claim against Imry.

York-Hannover, controlled by Mr Karsten von Wersebe, Castor's co-founder and former chairman, is at the centre of allegations in Switzerland that Rothschild Bank of Zurich contravened banking rules by advancing more than 20 per cent of its capital in unsecured loans to a single customer.

York-Hannover also owes Castor C$359m, of which C$70m was personally guaranteed by Mr von Wersebe.

Some of Castor's creditors raise questions about the cause of its problems. They are not convinced that its difficulties can be explained completely by the collapse in the North American real estate market.

Their uncertainty stems in part from Castor's highly complicated structure. But according to one of the company's advisers, Mr Stolzenberg is eager to co-operate with creditors and the authorities in sorting out Castor's affairs.

The one certainty is that it will take months, if not years, to get to the bottom of the Castor story. The process took another step forward last Friday when the trustee and five "inspectors" appointed to represent creditors met to discuss where to go from here.

Mr Stolzenberg, who lives in London, is due to appear behind closed doors before a bankruptcy receiver in Montreal on October 19. The trustee also expects to interview Mr Stolzenberg at length within the next few months.

Pernod Ricard up 30% to FFr389m

By Alice Rawsthorn in Paris

PERNOD-Ricard, the French drinks group, mustered a 30 per cent increase in net profits to FFr389m ($81m) during the first half of the year but has cautioned that its growth may be slower in the second half.

Mr Patrick Ricard, chairman of the group whose products include Pernod and Orangina, the fizzy fruit drink, described the interim performance as "very good", but said the economic slowdown in France, as well as the recessions in the UK and US, could affect the group in the second half.

However, he stressed that Pernod still expected to meet its target of boosting growth by twice the annual inflation rate - now at 3 per cent in France - for the full year.

A strong performance from Orangina was a key catalyst of Pernod's growth in the interim period. Consolidated sales fell *by 3.5 per cent to FFr6.9bn*, but sales rose by 9.3 per cent on a comparable basis. Operating profits rose 11.6 per cent *to FFr651m* over the first six months of 1991, when the group was hit by the disruption caused by the Gulf War.

NAB ready to buy NZ bank

By Terry Hall in Wellington

NATIONAL Australia Bank *(NAB), a leading Australian* commercial bank, is ready to complete the takeover of the Bank of New Zealand (BNZ), having completed a due diligence investigation.

The merger will create the biggest bank in Australasia.

However, the New Zealand Stock Exchange's market surveillance panel has called for more details of the merger. It said markets and shareholders should be given more information about the proposed unwinding of Adbro Investments, the BNZ subsidiary which holds its doubtful debts. The panel set a deadline of October 2 for the information.

Ferruzzi tightens its control at Fondiaria after fall in profits

By Haig Simonian in Milan

FONDIARIA, the Italian insurance group, seems set for more management upheavals after a shift of responsibilities for Mr Alfonso Scarpa, its managing director.

Mr Scarpa, who oversaw the group's recent growth, has run foul of the Ferruzzi group, which controls the company with Mr Camillo De Benedetti, the Italian financier, through a joint holding company.

Mr Scarpa's responsibilities were apparently diluted earlier this year when Mr Carlo Sama, a senior Ferruzzi executive, was appointed as his joint managing director.

The process has now gone further. Mr Scarpa runs every-day operations at the group's three main insurance subsidiaries, and Mr Sama has overall strategic responsibility.

The dispute with Ferruzzi arose over declining profitability at Fondiaria, which has just reported a 20 per cent fall in gross group profits to L78bn *($62.60m) in the first half of* this year from L97bn in the same period in 1991.

Group premiums rose by 17.6 per cent to L2,777bn. Domestic non-life premiums climbed 12 per cent to L2,000bn, while life premiums increased 13 per *cent to L297bn.*

Fondiaria's expansion, notably building up a 20 per cent stake in Germany's Aachener und Münuchener Beteiligungs (AMB), has been viewed increasingly critically by Ferruzzi, which has decided to take a more active role.

Among alternatives being considered to improve profitability and lower debts are the sale of some stakes, perhaps including that in AMB.

Skandia cancels sale of majority stake in US unit

By Christopher Brown-Humes in Stockholm

SKANDIA, a leading Swedish insurance group, yesterday cancelled plans to sell a majority shareholding in its US subsidiary Skandia America Corp (SAC). Plans to introduce SAC's shares on the New York Stock Exchange have also been abandoned.

The group said it took the *decision because "the final* offering price for the SAC shares would not be in the best interest of the Skandia group, in view of the current international market situation".

Skandia planned to issue 9m shares, but decided the $18 per share level was too low. When it first announced the filing in July, it was hoping to get $25 per share. SAC's reinsurance operations in the US and Canada recorded net premium vol*ume of SKr2.55bn in 1991.*

Bond Corp trims deficit

By Kevin Brown in Sydney

BOND Corporation, the former quoted flagship of Mr Alan Bond, yesterday announced net losses of A$435m (US$311m)for the year to June, increasing its accumulated losses to A$2.5bn.

This was better than the previous year's A$642m, and its losses of A$2.24bn in 1989-90. *Sales fell 54 per cent to* A$155m, reflecting the continuing sale of the group's assets.

Bond Corp has been operating under a scheme of arrangement administered by Ferrier Hodgson, an accounting firm, since August 1991, 11 months after Mr Bond was forced to resign as chairman.

Mr Ian Ferrier and Mr Garry Trevor, the joint administrators, said the latest loss was attributable mainly to A$198m in interest expenses and unrealised foreign exchange losses of A$187m.

Traders maintain pressures on lira, peseta and franc

By Tracy Corrigan in London and Patrick Harverson in New York

PRESSURES on the lira, the peseta and the French franc continued to take their toll on government bond markets in Italy, Spain and France, where yesterday's budget forecasts failed to instil any confidence among investors or traders.

GOVERNMENT BONDS

"The monetary chaos in the exchange rate mechanism is overshadowing any fiscal measures," said Mr Steve Major, an analyst at Crédit Lyonnais.

■ THE Italian financial system was subjected to further turmoil yesterday, as the lira lost 5 per cent of its value against the D-Mark in early trading as rumours of exchange controls, new taxes or a freeze on bank deposits prompted a wave of cash withdrawals from banks.

Worries about the government's ability to steer the budget through parliament further undermined the currency, as the wage agreement reached earlier this year came under threat.

Despite the turmoil, Italian bond prices ended only slightly weaker. But a series of Italian government bond auctions starting this week, totalling L12,000bn, continues to unsettle the market.

Mr Juoni Kokko, international economist at S.G. Warburg, said: "Against this background, it will be very difficult to raise those funds. In the last quarter, as much as L250,000bn in gross issuance is needed. With talk of capital controls and taxes one has to wonder where the money is going to come from."

■ SPANISH bond prices fell a further ½ point yesterday, and suffered a further setback after hours, following the announcement that Spain's foreign debt rating had been placed under review for downgrade by Moody's.

Speculation that the Spanish authorities will soon be forced to devalue or to leave the ERM mounted yesterday.

■ FRENCH government bonds fell more than half a point yesterday, as the authorities struggled to defend the franc with high money market rates.

■ BUND prices rose nearly half a point, as the German market continued to benefit from its safe-haven status as expectations of a fast-track ERM fade. The rally went ahead despite declining expectations of any reduction in interest rates at Friday's Bundesbank council meeting.

The bund future on Liffe ended at 90.94, up from 90.50 at Tuesday's close.

■ THE gilts market shed a further ¼ point at the long end, remaining steady at the short end, as the yield curve continued to become more positive. The long gilt future on Liffe ended at 97.08, down from 97.17 at Tuesday's close.

■ US Treasury prices weakened slightly in light trading yesterday as many investors stayed on the sidelines ahead of tomorrow's important employment figures.

In late trading the Treasury's benchmark 30-year bond was $\frac{1}{32}$ lower at 98⅞, yielding 7.379 per cent. The two-year note was down $\frac{1}{32}$ at 100⅞ to carry a yield of 3.787 per cent.

The market's attention is now firmly focused on the September employment report, which some investors hope will be bad enough to prompt another interest rate cut from the Federal Reserve. Analysts are expecting the report to show a decline of about 120,000 in non-farm payrolls, with the civilian unemployment rate rising from 7.6 per cent to 7.8 per cent.

■ NATIONALBANK, the Danish central bank, announced yesterday that it is opening a new Treasury note programme from today, writes Hilary Barnes in Copenhagen.

The series will be larger than earlier programmes. The intention is to create a more efficient market.

In future, there will be only two series a year, compared with four until now, and the maturity of the notes will be 2½ years, compared with two years on present series.

The coupon will be set at one per cent below the effective interest rates on government paper with maturities of one to four years, said the bank.

The first series will be offered today with a coupon of 9.75 per cent.

■ THE gilts market was the best performing government bond market in local currency terms during September, according to figures compiled by Kemper Investment Management, writes Richard Waters.

The 6.2 per cent gain contrasted sharply with the 2.4 per cent fall by Irish gilts, prompted by heavy foreign selling over the past fortnight.

The worst performance came from Canada, where renewed fears over the country's constitutional position pushed bonds down by 2.6 per cent on the month.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.4883	+0.854	8.86	9.06	8.75
BELGIUM		8.750	06/02	100.7500	-	8.62	8.63	9.08
CANADA *		8.500	04/02	104.0800	-0.150	7.89	7.29	7.38
DENMARK		9.000	11/00	96.6000	-0.205	9.61	9.62	9.75
FRANCE	BTAN	8.500	03/97	98.0486	-0.703	9.02	8.76	9.61
	OAT	8.500	11/02	98.5800	-0.325	8.70	8.67	9.11
GERMANY		8.000	07/02	103.5750	+0.470	7.47	7.46	7.89
ITALY		12.000	05/02	91.0700	-0.130	14.16†	14.00	13.89
JAPAN	No 119	4.800	06/99	100.5623	+0.179	4.69	4.82	4.74
	No 145	5.500	03/02	104.4558	-0.069	4.82	4.80	4.94
NETHERLANDS		8.250	08/02	102.8400	+0.250	7.81	7.83	8.33
SPAIN		10.300	06/02	84.0000	-0.525	13.30	12.69	12.79
UK GILTS		10.000	11/96	105-02	-4/32	8.51	8.54	9.96
		9.750	08/02	104-29	-11/32	8.98	8.99	9.64
		9.000	10/08	97-22	-8/32	9.28	9.19	9.34
US TREASURY *		6.375	08/02	99-03	-20/32	6.49	6.61	6.58
		7.250	08/22	97-13	-42/32	7.46	7.42	7.38
ECU (French Govt)		8.500	03/02	94.4500	-0.200	9.40	9.24	9.83

London closing, *denotes New York closing. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Tender withdrawal signals Irish borrowing abroad

By Tim Coone in Dublin

THE Irish government yesterday withdrew a I£10m exchequer bill tender after failing to receive any acceptable bids.

The move signals the government's probable intention to reduce its variable rate borrowing and, instead, to borrow abroad.

The weekly tender, small in comparison to the more usual I£30m, was expected to draw bids at a high rate of about 16 per cent, in line with current interbank rates in the Dublin market.

The central bank raised its short-term facility rates by 3 percentage points on Monday to 13.75 per cent, as pressure on the punt in the European exchange rate mechanism continued to cause liquidity problems in the Dublin money market.

Mr Brendan Lynch, chief economist at Bloxham, the Dublin gilt brokerage, said the withdrawal of the tender was "most unusual" and carried "a very strong message that the government is going to start borrowing abroad".

Irish gilts have come under severe pressure since sterling left the ERM a fortnight ago. This fuelled doubts that Ireland would be able to hold its position within the ERM while the currency of its main trading partner, the UK, floated freely.

Foreign holders of Irish gilts had, by yesterday, unloaded an estimated I£500m to I£600m worth of stock, representing 12 to 15 per cent of the I£4bn they held two weeks earlier. This allowed Irish institutions to pick up bargains, but put pressure on the government to look towards foreign markets for its next round of borrowing.

At the end of this month, the National Treasury Management Agency (NTMA), which now handles Ireland's entire national debt of I£25bn, has to refinance I£230m of a maturing gilt issue.

It is also committed to a I£60m to I£65m issue of its 2012 stock in the fourth quarter. No date for this has yet been set.

Yields on benchmark Irish gilts have risen sharply in the past fortnight: the 20-year 8.75 per cent 2012 stock going from a yield of 8.7 per cent to 9.62 per cent; and the five-year 9 per cent 1996 capital loan stock rising more dramatically from 9.35 per cent to 11.35 per cent.

A shift to foreign currency borrowing will mark a reversal of a now well-established policy to cap Ireland's foreign debt of I£8.9bn at current levels, 65 per cent of which is denominated in D-Marks and Swiss francs.

Analysts said, however, that as long as it is a short-term measure, foreign borrowing should help improve foreign currency reserves – sharply depleted by the support of the punt in the past two weeks – and improve liquidity in the interbank market, easing pressure on interest rates.

"It will also underline the government's determination to continue defending the punt," said one analyst.

Mr John Corrigan, the director for Irish pound borrowing at the NTMA, said: "It would not be helpful if we were to start funding immediately. Our funding position is reasonably healthy. We will be able to take the redemption in our stride."

Monthly exchequer returns tend to show a surplus rather than a deficit in the second half of the year, while the total exchequer borrowing requirement for the year is not expected to exceed I£300m. But about I£400m to I£500m in short-term exchequer notes are in circulation at any one time, and they require regular roll over and appear to be the first candidates for replacement by foreign debt.

Should sterling continue to decline, budgetary targets for 1993 will be thrown off-track, as a loss of competitiveness to the UK will result in higher unemployment levels in Ireland and further pressure on government finances.

The question of issuing debt as gilts or foreign currency-denominated bonds might then become more problematic.

First tri-party repurchase agreement in Europe

By Tracy Corrigan

THE European Bank for Reconstruction and Development, Swiss Bank Corporation and Cedel yesterday announced the first tri-party repurchase agreement (repo) programme to be launched in Europe.

Under the agreement, the EBRD lends cash to SBC, which in exchange deposits collateral with Cedel, which provides the back-office function.

Tri-party programmes, which reduce the risk of failed trades, are designed to encourage participation by companies often deterred by the complex back-office processing involved in repurchase agreements.

In the US, where such tri-party deals are common, outstandings in the repo market have reached around $1,000bn.

The European repo market – involving direct trades between two counterparties – is estimated at just $100bn. The advent of tri-party agreements could mean its expansion.

Mr Mark Mazzonelli, a director of SBC, said: "The objective of the tri-party programme is to broaden and deepen the multi-currency repo market... by providing easy entry for those institutions, specifically corporations, which were unable or reluctant to enter the repo market in the past."

Prior to the agreement, the EBRD had already been active in the repo market on a direct basis. The bank has around 20 per cent of its Ecu2bn of liquidity invested in the repo market, according to Mr René Karsenti, the bank's treasurer.

The EBRD finds the repo market "superior to bank deposits, because it provides us with collateral and offers better returns", Mr Karsenti said.

SBC will not on-lend the cash, but will use the funds to finance its trading inventory, according to Mr Mazzonelli.

Moody's puts Spanish rating under review

By Richard Waters

THE Kingdom of Spain faces a possible cut to its credit rating, days after launching its first US$ Eurobond issue.

Moody's Investors Service, which currently rates the country AA2, said it had put Spain on review for a possible downgrade. The agency said the review was "motivated by the imbalances that have been accumulating for some time in the Spanish economy, and the less favourable external environment faced by the country".

INTERNATIONAL BONDS

The announcement took the lead managers of Spain's recent $1.5bn issue by surprise. "We asked them whether they were happy with the ratings, and they said yes," one banker in London said yesterday.

News of the possible downgrading came on the day the bond issue was formally closed. Earlier this month, NatWest Capital Markets withdrew a Eurobond issue for Spintab the day before it was due to close when a possible downgrade of the company was announced.

Yesterday's development added to the woes of the ill-fated Kingdom of Spain issue, handled by J P Morgan and Merrill Lynch. The launch came at a time of economic turmoil and pricing of the bonds was delayed a week.

During that time, a further change in withholding tax rules in Italy pushed up yields on many Eurobonds, forcing the yield on the Spanish issue to be raised to prevent a flop.

"At least 80 to 90 per cent of the bonds have already been sold," one of the lead managers said yesterday. "This is obviously not something you want to happen to one of your transactions."

Explaining its decision, Moody's pointed to Spain's rising fiscal and current account deficits. "Recent events in European currency markets are likely to make an economic adjustment in Spain more difficult, and could ultimately lead to higher external indebtedness for the country," it added.

In a quiet day for new issues, Goldman Sachs announced a rare straight Eurodollar bond offering from a Korean borrower, Pohand Iron and Steel. The bonds for the A2/A plus borrower will be priced on Friday to yield 115 basis points above five-year Treasuries.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Chiyoda Corp.(a)♦	270	1.5	100	1996	2¼/1½%	Nomura Int.
SWISS FRANCS						
Daito Gyorui Co.(b)♦★★	25	3.25	100	1996	1½%	Nikko Bk(Switz.)
LUXEMBOURG FRANCS						
Tractebel Invest Int.	2bn	0	44.75	2002	1¼/1 2%	Crédit Européen
Goldman Sachs Group★★	1bn	9	101.97	1997	1¾/1½%	Banque UCL
Crédit Lyonnais Paris	1bn	8.75	102.25	2002	2/1¾%	Crédit Lyonnais Lux.

Final terms and non-callable unless stated. ★★Private placement. ♦With equity warrants ‡Floating rate note. a) Final terms fixed on 7/10/92. b) Final terms fixed on 5/10/92.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 30

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	107¾	108⅝		4.54
ALBERTA PROVINCE 9 3/8 95	600	112	112⅝		5.05

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
EEC 5 1/2 00	100	93	94	+½	6.64
ELEC DE FRANCE 7 1/4 06	100	104	104½	+½	6.78
FINLAND 5 3/8 95	150	95¼	96¼		7.14
GENERAL MOTORS 7 1/2 95	100	100½	101½		7.25
HYUNDAI MOTOR FIN 8 1/2 97	100	101	101½	+¼	8.24
JAPAN DEV BK 5 1/2 94	100	98	98¾	+¼	7.06
KOBE 6 3/8 01	240	97¾	98¼	+¼	6.72
NEW ZEALAND 4 7/8 99	200	92	93	+1¼	6.44
QUEBEC HYDRO 5 08	100	76¼		+¾	7.67
SNCF 7 04	300	102¼	102½		6.72
WORLD BANK 5 03	150	88½	89½	-½	6.51
WORLD BANK 7 01	600	104¼	104¾	+¼	6.34

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	100¾	101⅛		4.03
CREDIT FONCIER 5 1/4 94	20000	101¾	102¼		4.40
DENMARK 7 95	40000	106⅛	106⅜	+⅛	4.18
EIB 4 5/8 94	40000	101½	101¾		3.63
ELEC DE FRANCE 5 5/8 96	20000	103¾	104⅛	+⅛	4.56
FINLAND 6 3/4 96	50000	105½	105¾		4.98
INTER AMER DEV 7 1/4 00	30000	111¾	112¼		5.33
KANSAI ELEC PWR 4 5/8 94	60000	100¾	101	+⅛	4.11
NIPPON TEL & TEL 5 7/8 96	50000	104¼	104½	+⅛	4.71
NORWAY 5 1/8 95	50000	102	102¼	+⅛	4.26
SNCF 6 3/4 00	30000	109⅛	109⅝	+⅛	5.23
SWEDEN 5 5/8 95	20000	102⅝	103¼		4.66
WORLD BANK 6 3/4 00	50000	109⅝	109⅞		5.16

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COPENHAGEN TEL 8 5/8 96 LFr	600	98⅛	99⅛		9.29

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
UNITED KINGDOM -1/8 96	4000	99.88	99.96	3.0000
YORKSHIRE BS 1/10 94 £	165	99.79	99.89	10.3500

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	134¾	136¼	
CHUBB CAPITAL 6 98	250	86	114¾	115⅝	+18.90
EASTMAN KODAK 6 3/8 01	300	50.67	104¾	105⅝	+19.61
GOLD KALGOORLIE 7 1/2 00	65	1.0554	95	96	+50.84
HANSON 9 1/2 06 £	500	2.5875	103⅛	104¼	+22.15
NAWLEY 6 02 PREF	400	19.1	108⅝	110⅞	
HILLSDOWN 4 1/2 02 £	150	3.97	122¾	123⅝	
LAND SECS 6 3/4 02 £	84	6.72	79¼	80¾	+35.38
LASMO 7 3/4 05 £	90	5.64	74¼	75¾	
MITSUI BANK 2 5/8 03	200	2332.6	67⅛	69⅛	+26.91
MOUNT ISA FIN 6 1/2 97	100	2.283	101	102	+9.67
OGDEN 6 02	85	39.077	85½	86¼	+78.19
SEGA ENTERPRISES 3 1/2 96	200	13018	99¼	100	+43.28
SMITH & NEPHEW 4 02 £	90	1.775	128	129	+57.23
SUMITOMO BANK 3 1/8 04	300	3606.9	68¼	69⅝	+34.05
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	95¼	96⅛	+79.92
THORN EMI 5 3/4 04 £	103	7.16	123¾	124¾	+12.84

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	17	47	13
Other Fixed Interest	0	4	11
Commercial, Industrial	203	301	921
Financial & Property	45	290	466
Oil & Gas	14	30	41
Plantations	0	0	9
Mines	6	57	84
Others	12	71	31
Totals	297	800	1,576

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	–	99	90	Birkby	94		–	–	–	–
100	F.P.	–	118	95	Broadgate Inv Trust	95		–	–	–	–
–	F.P.	–	33	30	Do. Warrants	33		–	–	–	–
–	F.P.	–	13	7	Dartmoor Warrants	11		–	–	–	–
–	F.P.	–	32	19	Dwyer A	19		–	–	–	–
–	F.P.	–	91	79	European Smaller Co's	81		–	–	–	–
–	F.P.	–	23	18	Do. Warrants	19		–	–	–	–
–	F.P.	–	150	145	Finsbury Smlr Co's Zero Pf	149	-½	–	–	–	–
–	F.P.	–	253	98	SHIRESCOT	98		–	–	–	–
–	F.P.	–	31	19	Do Warrants	19		–	–	–	–
■	F.P.	–	1700	1700	TR Technology Units	1700		30 15	–	2.4	–
120	F.P.	–	175	169	♦Tepnel Diagnostics	173		–	–	–	–
–	F.P.	–	14	10	Throg 1000 Smlr Co's Wts	12		–	–	–	–
–	F.P.	–	16	10	Yorkshire TV Warrants	10	-1	–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	110p	105¼p	Fulcrum Inv Tst Zero Div Pf	107¼p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
27	Nil	12/11	8pm	3½pm	Aviva Petroleum	3½pm	-1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by way of capitalisation. ‡ Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ■ Units comprising 4 Ords and 7 Zero Div. Prefs. and 4 Stepped Pref. shares.

TRADITIONAL OPTIONS

- First Dealings Sept. 28
- Last Dealings Oct. 9
- Last Declarations Dec. 30
- For settlement Jan. 11

3-month call rate indications are also shown on this page.

Calls in APV, BM Group, Clarke Foods, Cannon Street Invs., Owners Abroad, Proteus Intl., Racal Elects. and Tepnel Diagnostics. Put in Caird.

LIFFE EQUITY OPTIONS

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAA (*734)	700	53	70	85	14	23	30
	750	21	42	58	33	48	52
Brit Aero (*127)	120	25	35	37	15	23	30
	130	20	30	33	20	28	37
	140	18	27	29	28	35	43

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Land Secur (*402)	390	16	28	33	6	15	18
	420	3	12	18	25	33	37
M & S (*325)	300	31	39	47	3	8	11
	330	9	20	29	13	19	22
Sainsbury (*469)	460	18	34	45	11	18	22
	500	4	15	25	35	43	44
Shell Trans (*537)	500	44	57	58	2	8	16
	550	7½	24	27	20	27	36
Storehouse (*145)	140	9	18	22	5	9	13
	160	4	10	11	18	22	24
Trafalgar (*62)	60	10	13	16	7½	13	14
	70	5	8	11	12	19	22
Utd. Biscuits (*310)	300	25	28	36	7	11	17
	330	5	13	18	23	32	35
Unilever (*1045)	1000	57	84	103	6	20	28
	1050	23	51	72	22	40	49

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Vodafone (*332)	330	20	31	40	15	24	28
	360	8	18	26	33	42	46

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*312)	280	42	48	50	3½	8½	12
	300	25	34	37	9	15	18
	330	10½	19	23	23	30	34
Amstrad (*25)	20	7½	8	8½	2	2½	3
	25	4	5½	6½	4	5	6
	30	2½	3½	4½	8	9	9½
Barclays (*337)	300	48	56	57	5	11	14
	330	27	36	39	13	22	27
	360	13	22	25	29	40	45
Blue Circle (*137)	130	20	25	27	10	13	16
	140	15	19	22	15	16	24
	160	6½	12	16	29	31	37
British Gas (*245)	240	12	19	20	11	13	19
	260	5	10	11½	25	27	31
Dixons (*211)	200	25	30	37	9½	15	17
	220	14	20	26	20	24	27

Option	Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*606) 550	62	74	82	3	9	13

Option	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Eurotunnel (*420) 420	39	57	70	35	48	72
460	22	40	50	-	-	102

EURO FT-SE INDEX (*2552) – PUTS

Oct	9	13	20	29	48	75	109	151
Nov	22	30	38	51	69	91	120	155
Dec	-	37	-	63	-	102	-	158
Mar	-	55	-	75	-	113	-	163
Jun	-	-	-	-	-	-	-	-

FT-SE INDEX (*2552)

	2350	2400	2450	2500	2550	2600	2650	2700
CALLS								
Oct	242	194	147	105	68	40	22	10
Nov	262	220	178	141	108	78	55	37
Dec	282	240	203	165	130	103	72½	48
Jan	–	–	–	–	150	120	95	70
Jun †	–	–	–	240	–	130	–	–
PUTS								
Oct	6	10	15	24	38	62	100	150
Nov	18	23	33	45	63	87	110	152
Dec	28	38	48	55	78	103	133	-
Jan	35	–	60	70	95	115	138	–
Jun †	–	68	–	100	–	145	–	–

September 30 Total Contracts 23,653
Calls 12,999 Puts 10,654
FT-SE Index Calls 2,010 Puts 5,243
Euro FT-SE Calls 1,408 Puts 1,006
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

	p		p		p		p		p
■ INDUSTRIALS		Cadburys	35	Hanson	15	Ratners	2½	Land Sec.	32
Allied-Lyons	47	Charter Cons.	44	ICI	85	Reed Intl	42	MEPC	22
Amstrad	4	Comm Union	42	Ladbroke	20	Sears	7	■ OILS	
Astec (BSR)	3½	Courtaulds	38	Legal & Gen	27	SmKl Bchm A	34	Aviva Pet	6
BAT Inds	60	Eurotunnel	32	Lex Service	19	TI	26	BP	22
BOC	49	FKI	8	Lloyds Bank	34	TSB	11½	Burmah Castrol	56
BTR	35	FNFC	6	Lonhro	8	Tesco	17	Conroy Pet	6
Barclays	26	Forte	17	Lucas Inds	11	Thorn EMI	56	Gaelic Res	½
Blue Circle	19	GKN	33	Marks Spencer	25	T & N	15	Premier Cons	2½
Boots	31	Gen Accident	40	NatWest Bank	26	Unilever	75	Shell	42
Bowater	56	GEC	17	P & O Dfd	32	Vickers	9	Tuskar Res	½
Brit Aerospace	30	Glaxo	16	Racal Elect	6	Wellcome	71	■ MINES	
British Steel	8	Grand Met	34	RHM	14	■ PROPERTY		RTZ	50
BT	25	GRE	13	Rank Org	42	Brit Land	15		

Bank of Scotland slips 2%

By Robert Peston

BANK OF Scotland yesterday warned that it was continuing to suffer from substantial losses on loans and was doubtful there would be any improvement in the rest of the year.

The gloomy prediction was made as Scotland's second biggest bank disclosed that pretax profits in the six months to August 31 were £74.2m, some 2 per cent down on the comparable £75.7m.

The provision to cover actual and possible losses on bad and doubtful debts was £138m, up from £121m in 1991. Though the charge was high given the bank's record, it was running at a lower level as a proportion of loans than the charges of the four English clearing banks.

Mr Peter Burt, chief general manager, said his bank's bad debts were probably less severe than rivals' because it had a relatively small lending exposure in the south of England, where borrowers were having the worst problems.

It also bucked the trend of the English banks by increasing the volume of loans it made. Its sterling loan book rose by 7 per cent, while its competitors' loan books have been shrinking or stagnating.

Most of the loan growth came from an increase in its home mortgage business. However, the bank also lifted its share of the declining small business loan market, according to Mr Burt.

Fees and commissions earned by its main banking operation rose 18 per cent to £115.3m. "We are getting much better at collecting charges", Mr Burt explained.

Apart from the bad debt provision, the bank's profits were also depressed by a further £60m to £70m in interest which was owed to the bank but not paid. Its net interest earnings were also hit by "upward pressure" on the average cost of deposits.

The bank pointed out that although bank base rates had been falling this year, they had been below money market rates. Deposit rates were often directly or indirectly linked to money market rates.

However, the bank said that the return or margin it made from lending in underlying terms, excluding exceptional factors, continued to improve.

Mr Burt said that a month ago he thought the bad debt charge would continue to rise in the coming months. Following sterling's withdrawal from the Exchange Rate Mechanism and the subsequent fall in base rates, he was now hopeful that bad debts would stabilise.

But he added: "There will not be an improvement till the economy improves. There are no encouraging signs. . . Thank God we are out of the ERM".

Earnings per share were 3.2p (3.6p) and the interim dividend is lifted to 1.77p (1.7p).

See Lex

Scottish Metropolitan to omit final dividend

By Roland Rudd

SCOTTISH Metropolitan Property, the property investment company, yesterday said it would not be able to pay a final dividend in spite of its earlier stated intention to maintain last year's total of 4.4p.

The shares fell 8p before recovering to close 2p lower at 24p.

The board, which met on Tuesday, decided it was not prudent to pay a final dividend in light of what one of its advisers described as "extraordinary economic circumstances".

Although the company incurred a pre-tax loss of £840,000 for the half year to February 15 and cut its interim dividend to 1.5p (2.53p) it said at the time that it intended to maintain the total dividend at 4.4p.

A statement from the company said: "Confidence following the General Election result was short-lived and in recent months property investment and letting markets have shown marked deterioration, resulting in a further decline in values."

Net asset value per share is expected to have fallen from 145p per share to 114p as at August 15, when the company publishes its full year results at the end of October.

The company said it remained ahead of target with property sales and debt reduction and would show an improved revenue performance in the second half.

BM inches ahead to £34.6m but lifts pay-out by 47%

By Jane Fuller

ANNUAL profits inched ahead at BM Group, the construction equipment and engineering concern which saw its share price fall by three quarters this summer after the departure of its chairman.

BM made £34.6m (£34m) pretax in the year to June 30 on turnover of £519m (£396m).

Although fully diluted earnings per share fell by 14 per cent to 23.4p (27.2p), the total dividend has been increased 47 per cent to 5p (3.4p) after a final of 2.9p (1.8p).

The share price shed 15p to close at 91p.

The figures included a full-year, as opposed to an eight-month, contribution from Blackwood Hodge, construction equipment distributor.

Thomas Robinson, the engineering group that proved to be Mr Roger Shute's last big deal before he resigned on health grounds, was included for four months, chipping in £2.6m profit and £52m sales.

Distribution, including Blackwood Hodge, increased sales by £79m to £337m. But profit, after interest, slipped to £17.6m (£17.7m). Mr Howard Sutton, chief executive, said margins had been eroded in the UK. The US was patchy, while demand from Australian mines remained resilient.

In construction equipment manufacture, UK activities had struggled. Mustang in the US had a successful year and Austoft, maker of sugar cane harvesting equipment, had fallen back in Australia. The division made £4.4m (£4.2m) profit.

Other manufacturing businesses made £7.69m (£5.01m) on £86.1m (£40.8m) sales.

Tony Andrews

Howard Sutton: margins eroded in UK, the US was patchy

Group operating profit rose to £43m (£42.4m) before property gains of £919,000 (£325,000) and exceptional gains of £316,000 (£1.41m).

Interest costs were £9.74m (£10.4m) and net debt £61.1m (£90.3m). Gearing was 36 per cent, helped by the £60m rights issue linked to the Robinson buy.

● COMMENT

Mr Shute used to say that BM was a tortoise rather than a hare. It ended up as a hare and failed to make the finishing line as a deal-driven growth company. The management – largely unchanged other than losing the Shute driving force – would gladly settle for tortoise status. But some analysts have branded it a dog and are totting up how many steps back the group will take before an end to the recession breeds a little forgiveness. The aim of "above average earnings per share growth" does look incongruous alongside the new resignation to the fact that the group cannot buck its markets. And the sceptics can have a field day with the acquisition provisions, which still amount to about £11m. As for the dividend cover, they say, its reduction to less than three times might be achieved by an earnings fall. A pre-tax profit forecast of £30m, including an extra £4m from Robinson, gives a prospective p/e of five. This looks cheap, but the restoration of credibility could take years. Meanwhile the 7 per cent-plus yield gives some support and dividend growth prospects do look reasonable.

See People

Gold price and drought take toll on Cluff

By Kenneth Gooding, Mining Correspondent

SHARES IN Cluff Resources, the gold mining group, fell another 15 per cent, to 11½p, yesterday after it revealed a 26 per cent fall in first-half profits and warned that its two operating mines faced a tough second half because of the severe drought in Zimbabwe.

Pre-tax profit to the end of June fell from £1.09m to £802,000 on turnover reduced from £7.3m to £6.97m, because of low gold prices – the metal has been trading in sterling terms at its lowest level for 13 years – and the higher value of sterling against the dollar.

Gold production in the half-year, mainly from Freda Rebecca, Zimbabwe's biggest gold mine, increased from 34,548 to 35,625 troy ounces in spite of the country's widespread difficulties from the effects of drought.

Mr Algy Cluff, chairman, said the Zimbabwe government had been forced to impose a 25 per cent cut in power supplies because of the lack of water and gold output might suffer by at least that amount if cuts continued.

Even if the rains came next month, power would be a problem for six to eight months.

Mr Cluff said Zimbabwe was also "taking the medicine prescribed by the International Monetary Fund" and was vigorously attempting to reduce inflation. This had required interest rates to be set at just under 50 per cent.

Although Cluff's debt was low – gearing was 15 per cent – this was having an adverse impact. Also, the company would need to borrow some money for the Peach Tree Mine near Bulawayo, which is scheduled to start up next month.

Recession and weak dollar push Hogg down

By Richard Lapper

RECESSION, tough conditions in the reinsurance market and the weakness of the US dollar combined to depress pre-tax profits at Hogg Group, the insurance broker, to £6.8m for the half year to June 30 compared with £8.26m.

Earnings per share were 20 per cent lower at 6p (7.52p). The dividend is maintained at 3.15p per share.

The result, which was broadly in line with expectations, produced a positive response from the market and the shares were marked up 14p to close at 131p.

Turnover from broking rose to £56.1m (£55.9m) and by an underlying rate of 3.2 per cent.

However, the group was hit by tough conditions in the London reinsurance market, as well as in the UK credit insurance and political risk insurance markets in which it specialises.

Income from the London retrocession (reinsurance of reinsurance) market fell by £750,000, while that from credit and political broking dropped by a further £600,000.

Mr James Vaughn, chairman, said that recession had depressed the turnover of many companies buying credit insurance, reducing premium volume and the size of commissions earned by Hogg.

In addition, Hogg was feeling the effect of a cut in commission rates introduced last year by Trade Indemnity, the trade credit insurer, with which it places significant amounts of business.

The effect of the weaker dollar (41.17 per cent of Hogg's income comes from the United States) and the strength of sterling against other overseas currencies cut income by another £750,000.

Expenses rose to £53.1m (£51.7m) and by an underlying rate of 5 per cent. UK expenses increased by 8.5 per cent against turnover of 7.9 per cent. US expenses fell by 2.1 per cent against a turnover reduction of 3 per cent.

The increase was attributed to costs arising from the development of new business, as well as redundancy payments and restructuring expenses.

Despite the increase in costs staff numbers were down overall by 1 per cent.

UK staff numbers were flat, while US staff numbers fell by 5 per cent.

Lower interest rates (down by 20 per cent in the UK and by 35 per cent in the United States) reduced investment income to £2.63 (£2.94m) after taking into account interest payable.

The share of profits from associated companies remained unchanged at £1.13m.

Disposal losses leave Tuskar I£31m in red

By Tim Coone in Dublin

TUSKAR RESOURCES, the Dublin-based oil and gas exploration company suffered pretax losses of I£30.8m (£32.3m) for the year ending March 31 1992, almost quadrupling its previous year's losses of I£8.1m.

Some I£27m of the losses, or 90 per cent, are the result of the disposal last August of the company's Colombian oilfield interests to Coplex Resources, an Australian exploration company, for I£5.6m in a cash and share deal.

Mr Duncan McGregor, who recently replaced Mr Neil O'Donoghue as Tuskar's chairman, explained that the loss was due to deferred exploration expenditure in the Rubiales oilfield in Colombia which had been held in the books. That loss was realised upon disposal of the field to Coplex, he said.

In its 1991 annual report, the company reported a total of I£29.5m deferred expenditure relating to its Colombian exploration licences.

A further I£1.23m has been written off in exploration expenditure, primarily in the UK and Turkey and there was a I£1.29m loss on the sale of its investment in Tuskar (Texas).

In April this year, Tuskar entered into a share-swap deal with Coplex to dispose of 54 per cent of its Colombian acreage, following a takeover bid by Coplex. The bid was rejected by shareholders, and led to the revised deal under which all of Tuskar's interests in the Piriales field were sold in August to Coplex. The company's shares, which trade on the USM, were then suspended at 1p.

Losses per share increased to 11.71p (4.06p).

Ramco rises to £250,000

Ramco Oil Services, the Aberdeen-based oil services company which is seeking opportunities in the former Soviet Union, recorded an 11 per cent rise in interim pre-tax profits to £250,000, in difficult conditions, writes Wallton Morais.

Turnover in the six months to June 30 rose sharply to £2.87m (£1.89m). Earnings per share were static at 0.95p (0.94p), and there was again no interim dividend.

Move to wind up Malaysian fund

By John Authers

BUCHANAN Partners, the London-based investment firm, is attempting to organise a voluntary winding-up of Malaysian Smaller Companies Fund (Cayman).

MSCF is a closed-end investment company, similar to an investment trust, with a net asset value estimated by Buchanan at $40m. It invests in Malaysian smaller companies.

Buchanan and related accounts now have an aggregate 10.27 per cent holding in MSCF's ordinary shares, and they are requisitioning an extraordinary meeting to wind up the company.

According to Buchanan: "We have a very strong confirmation that shareholders representing a further 61.73 per cent in the ordinary shares will support the resolution. At the present time we are very confident that the resolution would be passed."

Shares in single-country funds are only infrequently traded, and so discounts to net asset value are often substantial. The aim of a voluntary liquidation would be to allow shareholders to realise assets in the fund, at a discount.

A two-thirds majority is required. Buchanan says the liquidators' fee would not exceed $25,000, and that distribution of assets and cash could take place within two months of winding-up.

NEWS DIGEST

Sun Alliance to extend US links

SUN ALLIANCE, the composite (general and life) insurance company, is to extend its links with the US company, Chubb Insurance, by launching a new jointly underwritten and marketed home contents policy in the UK.

The policy, branded "Masterpiece", is geared to the needs of the wealthy, and modelled on a similar product already sold successfully by Chubb in the US.

In the US, Chubb insures 200 of the 400 wealthiest Americans listed by Forbes magazine. In North America alone Chubb insures more than 12,000 dwellings for more than $1m each, in addition to many thousands of fine art and jewellery collections.

Sun Alliance and Chubb own 9 per cent of each other's equity capital. Sun Alliance also reinsures (via a quota share treaty) 10 per cent of Chubb's specialty lines and 15.75 per cent of its standard lines business.

Chubb has been one of the most consistently profitable US insurers.

Birkby reveals Finlan's losses

Birkby, which reversed into Finlan Group in August, yesterday announced that Finlan's pre-tax losses for the year to March 31 were £4.55m. Losses previously were £15.7m.

Mr Michael Woodhead, the chairman, said that as the results covered the last full year of Finlan they bore little relation to the current group.

He pointed out that Birkby was a profitable rental group and achieved pre-tax profits of £600,000 for the year to July 31. It specialises in the provision of managed rental workspace mainly in converted mills along the M62 corridor, commercial vehicle hire and instalment credit.

Finlan's turnover fell from £49.3m to £19.5m and the pretax result was after exceptional debits of £685,000 (£2.68m). Losses per share were 1.3p (7.1p).

Lincat climbs 14% as demand improves

A significant improvement in demand enabled Lincat Group, the USM-quoted catering equipment maker, to eradicate the first half profits shortfall of £270,000 and end the year to June 30 1992 with pre-tax profits ahead 14 per cent from £708,000 to £810,000.

Turnover rose to £11.69m (£11.5m). Earnings per share rose from 8p to 8.2p and the dividend is held at 5.1p with an unchanged final of 3.3p.

Net interest paid was lower at £274,000 (£419,000). Mr Martin Craddock, chairman, said the company had reduced borrowings – gearing was down from 76 per cent to 51 per cent – and a further cut this year remained a key objective.

JO Walker cuts loss via savings

JO Walker, the Leicester-based timber importer, reduced its pre-tax loss from £294,000 to £162,000 in the first half of 1992.

That reflected the state of the industry caused by the recession and the effects of the cost saving procedures.

Turnover came to £6.33m (£6.93m). After a tax credit of £8,000 (£100,000) losses per share were cut to 19.2p (24.2p).

EW Fact profit down by 15.4%

Although pre-tax profit at EW Fact fell 15.4 per cent in the first half, it was considered a satisfactory result in current trading conditions.

The USM-quoted group provides classes of tuition and publication of texts for students preparing for accountancy and banking exams.

Turnover in the six months ended June 30 came to £2.35m (£2.43m) and the profit to £482,000 (£570,000). Earnings per share were 4.57p (5.15p) and the interim dividend is raised to 1.6p (1.21p) partly to redress the imbalance with the final.

September term enrolments were marginally lower than last year, but a positive contribution was expected from Davies's College.

The group was negotiating the purchase of a 45 per cent investment in Kensington School of Business for £99,000 cash.

Camellia droops in first half

Camellia, an investment company with interests in fine art and tea plantations, suffered a setback in the first half of 1992, with pre-tax profit declining from £5.22m to £1.89m.

And after tax and minorities there was an attributable loss of £41,000 (profit £1.12m), producing losses per share of 1.64p (earnings 44.88p).

The interim dividend, however, is raised 1p to 12p.

Turnover fell by £4.7m to £72.6m and generated an operating profit of £1.66m (£5.02m).

Cost cutting helps BLP back to profit

Continuing efforts to cut costs and develop new business opportunities helped BLP Group, the USM-quoted maker of wood laminates and mouldings, to move back into the black in the first half of 1992, albeit with a small profit of £1,000.

The company warned however, that trading conditions had been very difficult, and it would be "unrealistic" to expect second half results to match those of the first.

The interim profit compared with a pre-tax loss of £261,000 last time, which included results of Berg Mantelprofilwerk of Germany up to its disposal in June, 1991.

Turnover dropped from £28m to £11.5m, while interest charges were cut to £81,000 (£403,000) reflecting the cash-flow benefits of the Berg sale and positive cash generation by the businesses.

Losses per share were 2.3p (5.3p). There is again no interim dividend.

Bostrom advances to £796,000

Bostrom, the vehicle seating and specialist engineering group, lifted pre-tax profits from £736,000 to £796,000 in the first half of 1992.

Turnover fell to £17.1m (£18.9m). There had been no improvement in the economies of the UK or countries served by the group, Mr Martin Makey, the chairman, said.

The interim dividend is being held at 2.5p, payable from earnings of 3.9p (3.8p).

33% expansion at Sykes Pickavant

Despite poor conditions in most of its markets, Sykes Pickavant Group lifted sales 9 per cent and pre-tax profit 33 per cent in the half year ended June 30 1992.

The group makes hand tools and diagnostics equipment. Turnover came to £9.41m (£8.65m), operating surplus to £550,000 (£463,000) and the pretax balance to £402,000 (£302,000).

Mr Ray Way, chairman, said all the sales growth was achieved in the automobile and industrial businesses; sales in Vitrex continued to be depressed as a result of poor conditions in the DIY market.

Earnings per share rose to 2.75p (2.12p) and the interim dividend is again 2.25p.

Blockleys profit and interim cut

Blockleys, maker of bricks and paviors, is cutting the interim dividend from 1.95p to 0.5p as pre-tax profits were halved from £852,000 to £410,000 for the six months ended June 30.

The group said there was, as yet, no prospect of any significant improvement in construction activity. Measures had been taken to reduce further its production this year by some 10 per cent.

In the first half sales volume showed a "reasonable improvement", but turnover slipped from £5.39m to £5.15m. Sales in the second half were not expected to increase over last year although sales of paviors, particularly to Germany, had grown rapidly to around 30 per cent of pavior sales.

Earnings per share were down to 0.99p (2.3p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bank of Scotland ......int	1.77	Dec 10	1.7	-	4.35
Blockleys ......int	0.5	Nov 30	1.95	-	3.38
BM Group ......fin	2.9	Dec 11	1.8	5	3.4
Bostrom ......int	2.5	Nov 27	2.5	-	6
Camellia ......int	12	Nov 5	11	-	27
Culver Holdings ......int	0.1	Oct 30	-	-	-
Fact (EW) § ......int	1.6‡	Nov 4	1.21	-	4.31
Hogg Group ......int	3.15	Dec 1	3.15	-	8.15
Jove Inv Trust ......int	2.8	Nov 30	2.7	-	5.4
Lincat Group ......fin	3.3	Nov 6	3.3	5.1	5.1
Norex ......fin	2	Dec 18	2	2	2
Scottish Metro ......fin	nil	-	1.87	1.5	4.4
Sykes Pickavant ......int	2.25†	Dec 31	2.25	-	5.75

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Partly to redress imbalance with final.

COMPANY NEWS: UK

Brent Walker incurs £79m interim losses

By Peggy Hollinger

MR KEN SCOBIE, chief executive of Brent Walker, yesterday said the company's survival remained uncertain as the heavily-indebted leisure group announced interim pre-tax losses of £79.4m and revealed that it had not yet appointed a chairman.

Mr Scobie said it was "too early to say whether Brent Walker is a totally viable entity. . . We are only a very small part of the way down a programme which stretches well in to the next century."

Brent Walker completed Britain's largest debt restructuring in March.

The group's difficulties had prolonged the search for a chairman since the retirement of Lord Kindersley in July. "I do not think the chairmanship of Brent Walker would be regarded as one of the plums," said a resigned Mr Scobie.

Brent Walker ended the six months to June 30 with operating profits of £29.5m. This compares with £34.3m for the 28 weeks to July 14 1991.

The pre-tax loss was struck after total interest of £108m and £1m in exceptional charges for refinancing costs. It compared with a loss of £133.5m last year. Turnover fell from £849.4m to £816.2m.

Mr Scobie said the company had not made much progress in reducing debt – which stands at £1.3bn, after the £250m debt for equity swap. When the restructuring had first been envisaged, Mr Scobie said, the company had not believed it was "looking at a recession of quite this depth or length."

About £71m in interest payments would be rolled into debt or converted into instruments such as preference shares by the year-end.

As a result, net interest payable was significantly reduced from £117.9m to £37.3m. Most of this charge was due to the £350m debt in betting chain William Hill.

Mr Scobie said Brent Walker would be able to service these reduced charges. However, there remained the problem of how the remaining obligations would be met when they fell due in 1997.

Operating profits in both the William Hill business and the Pubmaster division declined in the first half. The return from betting shops fell from £32.7m to £26.8m. Mr Scobie said the decline was a combination of luckier customers and higher operating costs.

Pub profits fell almost 17 per cent to £6m, including a four-month contribution from the 734 pubs leased from Allied Breweries.

Losses per share were significantly cut following the debt for equity swap, from 259.47p to 42.48p. There was no ordinary or preference dividend.

Betacom falls to £3.23m loss

By Michiyo Nakamoto

BETACOM, the telephone equipment supplier which is now 71 per cent owned by Amstrad, said that it was rationalising its product range and refocusing its business on the UK market as it reported a pre-tax loss of £3.23m for the six months to June 30.

It compared with pre-tax profits of £129,000, and came on turnover of £4.25m, down from £6.12m.

An exceptional charge of £1.97m was included in the loss; that related to the cost of restructuring and product rationalisation.

Mr Ken Ashcroft, chairman, who moved in July to Betacom from Amstrad where he was corporate finance director, said the restructuring and rationalisation were necessary to regain lost market share in the UK.

Because of financial difficulties "the company could not invest in products in the early part of the year," he said. It was doing so now by reducing the number of products it offered and ensuring that it had the most up-to-date range.

Following a difficult trading period, Betacom's bank had refused earlier this year to continue supporting it without a capital injection. Amstrad, which already owned 29.5 per cent of the shares, agreed to underwrite a rights issue and subscribe to further shares.

In order to refocus its efforts on the UK market, Betacom had sold its 49 per cent holding in a German joint venture and was looking to wind up its operations in Holland.

However, on the positive side, net asset value had increased significantly, the liquidity problem had eased and there were adequate cash resources for the foreseeable future, it said.

Thorn EMI to spread the word with Christian music deal

By Michael Skapinker, Leisure Industries Correspondent

EMI MUSIC is to acquire the Sparrow Corporation, a Nashville-based Christian music company, with the aim of introducing its recordings to a wider market.

Sparrow, which was founded in 1976 by Billy Ray Hearn, distributes music, films, videos and books through Christian bookstores and other outlets worldwide.

Mr Hearn said: "Sparrow views its acquisition by EMI Music as an opportunity to further its mission to promote the Gospel to the world through music."

Mr Jim Fifield, EMI Music's chief executive, said: "The acquisition of Sparrow gives EMI immediate leadership in Christian music among the major record companies."

EMI Music is part of Thorn EMI, the UK-based music, rentals and light fittings group. Thorn refused to say how much it had paid for Sparrow, which had sales in 1991/2 of $30m.

Mr Jimmy Bowen, president of Liberty Records, EMI's country music label, will serve as co-chairman of Sparrow with Mr Hearn, who will remain chief executive.

Mr Bowen said: "Contemporary Christian music is going to move into the mainstream market place worldwide. Working in tandem with the finest Christian record company in the world, Sparrow, we will launch a broad-based marketing campaign to expand the presence of Christian recordings in mainstream retail outlets."

Lydia van der Meer

Tight security surrounded Gerald Ratner, chief executive, seen with US-style aide leaving yesterday's annual meeting

Ratners targets costs after losses swell to £31m

RATNERS GROUP continued to struggle in the face of recession in the first half as pre-tax losses swelled from £17.7m to £30.6m, writes John Thornhill.

However, Mr James McAdam, chairman of the jewellery group, said that although "there were no signs of an easing of recessionary trading conditions" operating margins were significantly higher than last year's levels as a result of severe cost-cutting.

A comprehensive business review had led to £19m of cost reductions in the first half, with £50m of savings expected in the full year.

Mr McAdam also promised that in the critical Christmas period Ratners would place more emphasis on service and quality. Last year, the company indulged in massive discounting, which boosted sales but savaged margins.

Sales in the period to August 1 fell to £365m (£450m).

Trading losses of the UK stores' jumped to £23.2m (£11.7m) on sales of £185m (£232m).

But in the US, although sales slipped to £179m (£219m), operating profits rose from £4.6m to £5.17m.

Group trading loss jumped to £18m (£7.13m) and interest took £12.4m (£11.2m).

An extraordinary profit of £1.1m came from the disposal of Watches of Switzerland.

Losses per share amounted to 11.3p (7.3p). Ratners is not paying an interim dividend and is still rolling up payments on its preference shares.

Administrator completes sale of Airbreak arm

By Peter Pearse

MR DAVID BUCHLER of Buchler Phillips, the administrator for the Airbreak Leisure Group, yesterday completed the sale of Sunsail International, one of the failed tour operator's subsidiaries, for an undisclosed sum.

However it is thought the amount will be in the region of £2m, the figure touted when Airbreak's management was trying to sell Sunsail in the weeks leading to the USM-quoted group's collapse. The Civil Aviation Authority has agreed to allow Sunsail to retain its licence.

Ironically, it was Sunsail – which provides sailing and club holidays in the Mediterranean and was acquired by Airbreak in January for up to £8m in shares and loan stock – which precipitated the fall.

When announcing the group's losses of £2.92m on September 15, Mr David Lewis, Airbreak chairman, blamed heavy discounting in the charter tour market, "unexpected problems" in two of Sunsail's associated companies and "wholly unanticipated demands for repayments of existing and long-term overdraft facilities from Sunsail's two principal bankers".

Sunsail is being sold to Mr Chris Gordon and his wife Sally. They were managing director and marketing director respectively before and during the Airbreak ownership and will continue in those roles. There will be no job losses. The buy-out is backed by a "major City institution".

Two other Airbreak subsidiaries – Suntan Tours IATA and Airbreak Travel – are still IATA-bonded as sellers of flights, rather than as travel or tour operators. They are trading under administration, and Mr Buchler is looking for buyers.

All the group's other subsidiaries have ceased trading with liquidation or receivership awaiting.

NEWS DIGEST

Norex dives to £2m but payout held

NOREX experienced a significant downturn in the year ended June 30 1992, but is confident for the current term and is holding the dividend at 2p.

Interests in shipping have been sold or written off, except for a small chartering company, and in travel the loss-making London office has been closed.

There was a pre-tax profit of £1.77m in the year, compared with £9.6m, after exceptional charges of £3.95m against shipping.

Insurance broking was profitable, but was affected by shortfalls in reinsurance and costs associated with the acquisition made in the year.

After tax and minorities there was a loss of £495,000 (profit £2.93m) to which was added extraordinary charges of £1.37m (£1.13m). They comprised losses from the discontinued shipping activities of Norex America.

Losses per share came to 4.9p (earnings 29.2p).

Loans to Global Marine held by Norex America have performed above expectations and the related borrowing reduced from $56m to $30m. The aggregate receivable from Global at the year-end was $100m.

New finance director at Control Securities

Control Securities, the property, hotels and pubs group, yesterday appointed a new finance director and announced the agreement of a new standstill arrangement with bankers.

The company named Mr John Kerslake as finance director, to replace Mr E J Hewitt, who remains company secretary.

Control also said it had agreed an extension to the existing standstill arrangement, set up to allow the company to develop a business strategy and stabilise its financial position. The new agreement runs until October 31, and is Control's third such extension to the original standstill negotiated in June.

The group has also called a meeting of bondholders for October 12, to vote on the deferral of interest payments until January 18.

Anglo Pacific incurs £174,000 deficit

Anglo Pacific Resources, the USM-quoted coal mining and mineral exploration company, reported a loss of £147,000 for the six months to end-June.

The outcome compared with a profit of £114,000 for the comparable period and with a loss of £352,000 at the December year end. Turnover fell to £948,000 (£1.54m) reflecting the sale of the Kurara Gold Mine.

Losses per share emerged at 0.19p (earnings 0.15p).

Scottish Asian net asset value up 20%

Scottish Asian Investment Company raised net asset value per share by 20 per cent from $11 per share to $13.2 (£7.70) per share in the year ended July 31 1992.

Net losses for the year were $287,401 (restated £637,095 profits), while losses per share came out at 8.21 cents (earnings of 18.2 cents).

Following the decision to move the company onshore from Jersey to the UK, the board said it believed it would be advantageous to change the denomination of its shares from US dollars to sterling and also produce accounts in sterling. These resolutions, together with several other minor proposals to complete the restructuring from an offshore fund to a UK investment trust, will be put to shareholders at an EGM in December.

Culver at £120,000 and pays dividend

Culver Holdings, which was formed to make a recommended offer for Wyndham Group in July 1991, announced a pre-tax profit of £122,000 for the half year to June 30. For the six months to December 1991 profits were £130,000.

The group sells new and used cars through Honda and BMW franchises.

Mr Richard Read, the chairman, said the two periods had different trading profiles as the second half of the year included August, the most significant month for car sales. In spite of that, turnover was slightly ahead at £10.4m (£10.3m).

Earnings per share were 0.21p (0.29p) and an interim dividend of 0.1p is declared.

Corporate Services reduces losses

In the half year ended June 30 Corporate Services Group continued the integration and rationalisation of the previous years' acquisitions.

It incurred a reduced loss of £466,000, against £523,000, on turnover of £13.7m (£6.29m). Operating profit of continuing activities was cut from £335,000 to £191,000. Head office costs took £376,000 (£260,000) and interest £281,000 (£68,000).

Since the end of the half year the group had traded profitably.

Detailed comparisons with last year's results were not meaningful, given the number of acquisitions made during 1991. However, the group was satisfied with progress made in developing those businesses, while continuing to make cost savings.

Half year losses per share came to 1.57p (2.36p).

Jove Investment Trust net asset rise

Net asset value per share of Jove Investment Trust, a split level capital trust which invests primarily in smaller UK companies, stood at 52.19p per income share at the half year ended August 31.

This compares with 51.5p at the February year end and with 51.31p a year ago.

Net asset value per capital share was 22.57p against 29.04p six months ago and 26.62p a year ago.

Earnings per income share came out at 3.39p (3.05p) and the interim dividend is being increased to 2.8p (2.7p). The directors anticipate that the total pay-out for the year would be not less than 5.6p (5.4p)

Unigroup dives to £104,000

Pre-tax profits dived to £104,000 at Unigroup in the year to June 30.

The decline from a previous profit of £1.29m was on sales of £22.6m (£23m) and was after increased interest charges of £615,000 (£286,000). The profit was also reduced by losses of £214,000 from discontinued activities.

The timber products division suffered from the recession and unfavourable exchange rates. Profits fell to £450,000 (£1.35m) on sales of £10.7m (£10.3m). Building products' contributed £42,000 (£378,000) on sales of £9.31m (£8.99m).

An extraordinary item of £898,000 reflected the closure costs of the clothing division.

Ramus announces capital subscription

Ramus Holdings, the manufacturer of ceramic tiles, kitchens and bedroom furniture, announced yesterday that an overseas investor had agreed to subscribe £3.25m cash for new shares in Ramus.

The talks were originally mentioned on September 16 when the shares were suspended at 51p at the company's request, pending clarification of its financial position. Ramus warned then that results for the year to end-June would give rise to a substantial loss.

Yesterday's agreement is subject to the relevant exchange control consent.

Aran Energy improves

Aran Energy improved its pre-tax result to I£38,000 (£38,400) in the first half of 1992. In the comparable period the Dublin-based oil and gas exploration company lost I£203,000.

Aran said the results reflected the low level of production during the period.

Since then significant oil production revenues have been acquired via the acquisition of a 26 per cent share of production of the Dunlin oilfield for a minimum of $19m (£11.1m).

Sales in the six months came to I£14.2m (I£14.5m). Loss per share was reduced to 0.05p (0.14p).

El Oro Mining profit decline

El Oro Mining and Exploration, an investment dealing company, saw its pre-tax profit fall from £1.09m to £779,000 in the first half of 1992.

Interest income fell as a result of lower UK interest rates and two substantial dividends paid since the last half year.

Earnings per share came through at 12.55p (16.51p).

Group assets at market value were nearly £25m (£25.8m). The group held some £3m in cash, bonds and high yielding preference shares.

El Oro owns over 50 per cent of Exploration Company, which in turn is interested in nearly 40 per cent of El Oro.

Exploration reports a pre-tax profit of £967,000 (£1.34m) and earnings per share of 5.78p (7.57p).

Its assets at market value were £30.1m (£30.9m). Some £7m was in cash, bonds and high yielding preference shares.

CST Asia loss after accounting change

A change in the basis of accounting has pushed CST Emerging Asia Trust into a net loss of £112,000 for the year ended March 31 1992, compared with a restated deficit of £72,000 for the previous year.

There is no dividend this time, against 0.35p previously – which absorbed £45,500.

Losses per share increased from 0.56p to 0.86p.

Over the year the net asset value per share fell nearly 3.5 per cent, from 55.1p to 53.2p.

Norstead is owed £10m say receivers

The problems of Olympia and York's Canary Wharf development and the effects of the recession on the construction industry have been blamed for the appointment of receivers at Norstead Group, mechanical and electrical contractors.

The group is owed about £10m, including £2.5m for work on Canary Wharf, said Mr Ian Turner, an insolvency partner at receivers Grant Thornton.

The unquoted family-owned company, which grew into one of the largest independent building services companies in the UK only broke even on a turnover of £24m in the year to March 1992, its poorest trading in recent years.

BOARD MEETINGS

TODAY

Interims- Alexon, Asda Property, Densitron Intl., Forte, Greece Fund, Redland.
Finals- Beckman (A), Cornwell Parker, Eleco, Frogmore Estates, Pict Petroleum.

FUTURE DATES

Interims-	
Acorn Computer	Oct. 8
Aminex	Oct. 12
Carlisle	Oct. 2
Chepstow Racecourse	Oct. 8
Clarkson (Horace)	Oct. 8
Computer People	Oct. 7
Ferguson Intl	Oct. 22
Hazlewood Foods	Nov. 17
Intl Inv. Trust	Oct. 2
Kitty Little	Oct. 5
North Brit. Canadian Inv.	Oct. 12
Slingsby (HC)	Oct. 9
Walker Greenbank	Oct. 12
Finals-	
Barlow Rand	Nov. 18
Burn Stewart Distillers	Oct. 7
Eurocopy	Dec. 8
Goodwin	Oct. 9
Merivale Moore	Oct. 8
Microfilm Reprographics	Oct. 5

PUBLIC WORKS LOAN BOARD RATES

Effective September 29

Quota loans*

Years	EPI†	A††	maturity§
1			8¼
Over 1 up to 2	8⅜	8⅜	8⅝
Over 2 up to 3	8⅝	8⅝	8¾
Over 3 up to 4	8¾	8¾	8⅞
Over 4 up to 5	8¾	8¾	9
Over 5 up to 6	8⅞	8⅞	9⅛
Over 6 up to 7	8⅞	8⅞	9⅜
Over 7 up to 8	8⅞	9	9½
Over 8 up to 9	9	9⅛	9¾
Over 9 up to 10	9⅛	9⅛	9⅞
Over 10 up to 15	9½	9⅞	10⅜
Over 15 up to 25	10¼	10⅜	10⅜
Over 25	10⅜	10⅜	10⅜

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest) § With half-yearly payments of interest only.

COMMODITIES AND AGRICULTURE

West needs to build more aluminium smelters, says Reynolds Metals chief

By Kenneth Gooding, Mining Correspondent

THE WESTERN world's aluminium industry needs to build 13 new smelters costing about $1bn each by the year 2002 if it is to keep pace with expected growth in demand, according to Mr Harry Helton, executive vice president, metals and raw materials, at Reynolds Metals, the second-largest of the US aluminium groups.

However, the industry is being forced by the present low level of prices on the world aluminium market to delay starting work on new smelting capacity and this might lead to a very tight supply situation at the end of the 1990s.

Mr Helton explained: "We can't go to shareholders and ask for a new smelter until we can see a sustained upswing in the aluminium price".

The industry needed to see a sustained price of 80 cents to 85 cents a lb ($1,763 to $1,873 a tonne) before it could reasonably start investing again, he said, adding: "That price would not scare our customers".

Last night aluminium for delivery in three months time closed on the London Metal Exchange at $1,272 a tonne.

Mr Helton said that the Reynolds estimate of future aluminium needs was based on an assumption that annual demand for the metal from fabricators would grow at 2 per cent. It took no account of those forecasts that suggested a big upsurge in the use of aluminium in cars, nor did it assume any substantial drop in metal imports from the Commonwealth of Independent States. It also took account of the much faster growth in the use of recycled (scrap) aluminium compared with primary metal.

Reynolds last year temporarily closed its Troutdale smelter in Oregon, which can produce 171,000 tonnes a year, because of low prices, forced down mainly by an unexpected surge in aluminium exports from Russia. Mr Helton said Reynolds would restart Troutdale "as soon as we see a sustained [upward] move on the demand side."

The company is involved in two smelter projects outside North America. Mr Randolph Reynolds, executive vice president, international, said a controversial scheme in Nigeria "is coming along slowly".

The Nigerian government is financing the whole of the DM2.4bn ($1.66bn) project, which includes a power plant and residential accommodation as well as an aluminium smelter. Reynolds has an 11 per cent interest in the smelter, is providing its technology and is committed to selling 140,000 tonnes of production a year.

"We are being very cautious and making sure the money is available before making any move," said Mr Reynolds.

The target for start-up of the 180,000 tonnes a year Nigerian smelter is early 1994. It will be managed by Reynolds in co-operation with Ferrostaal, a subsidiary of MAN, the German engineering and steel group, which is leading the project.

Mr Reynolds said that a joint-venture project between Mitsubishi of Japan and Reynolds for a 190,000 tonnes a year smelter in Venezuela had been shelved temporarily.

He added: "Venezuela is an excellent place to build a smelter so we are still interested. But, because of market conditions, it is not being given our highest priority. The [Venezuelan] government understands".

Mystery over gold market glitch

By Kenneth Gooding

SOMETHING STRANGE is going on in the gold market but, as usual in this secretive business, no-one is admitting responsibility.

The indication that all is not normal is that the cost of leasing gold has risen sharply, traders say to the highest level for 18 months.

The last time something similar happened to the leasing rate it later emerged that Portugal's central bank had lost 288,000 troy ounces of the precious metal, then worth about US$100m, which had been lent to Drexel Burnham Lambert, the financial services group that collapsed in 1990.

According to the Reuter news agency, the present glitch might have been caused by a very big central bank unexpectedly taking back from the market 1.4m ounces (about 43.5 tonnes) of gold. This represents about 5 per cent of the pool of 800 tonnes of gold which some analysts suggest is usually available to the market.

Central banks and other financial institutions lend gold to the market in order to earn a very modest return on an asset that otherwise would yield no interest.

They swap gold (sell with a commitment to buy it back again at an agreed price and date) with commercial banks and other intermediaries who take a commission before passing it on to clients such as gold producers or jewellers.

The system has facilitated the forward selling by gold producers that some analysts suggest has been putting a "cap" on any price rise.

Usually central banks roll over these loans to the market but the Reuter report suggests that one bank decided to take back its gold instead.

Traders say demand for leased gold is being stimulated at present by Australian producers selling forward because the price in Australian dollars has been rising, reflecting a strengthening of the US dollar.

Mr Andy Smith, analyst at the Union Bank of Switzerland, recalled that in 1990 at the time of Portugal's embarrasment, lease rates were kept down because Russia had gold to lend. "The implication is that today there is no spare metal to lend which is notable. But we will have to see how long lease rates stay up to see if something really important is happening in the gold market."

Low prices force closure of Argentine meat-packing plant

By John Barham in Buenos Aires

A MEAT-packing plant in Argentina part-owned by Citicorp has closed its doors because export prices have fallen to the lowest in 18 months while operating costs keep rising, a bank executive said yesterday.

"The decision was taken because it does not make economic sense any more," he said. "International prices have fallen heavily and the instability in Brazil, our biggest competitor, has contributed strongly to the decline. They have virtually destroyed the market."

Citicorp bought a 9 per cent stake in the loss-making state-owned Santa Helena plant when it was privatised in March 1991. Although the bank, together with leading meat-packing group Huancayo, its local partner, paid only a token sum for Santa Helena, they reportedly invested working capital of about US$20m into the plant.

Brazil and Argentina are among the world's main exporters of processed beef products. Trade in frozen and chilled beef is strictly controlled, with the European Community, Argentina's main trading partner allowing imports only of premium quality cuts. While Argentine businessmen complain bitterly that Brazilian companies benefit from an undervalued currency and government support, Argentina is slowly pricing itself out of international markets.

Citicorp recognised that inexorably rising costs in Argentina were undermining Santa Helena's profitability. Wages in Brazil averaged $50 a month, compared with $500 in Argentina, said the executive. Furthermore, although inflation has fallen to a modest 1 to 1.5 per cent a month, the exchange rate has remained fixed since March 1990, leading to an increasingly overvalued currency.

According to official statistics, the real exchange rate fell by over half and prices fell 11 per cent in the five years to July 1992. Argentina's overall trade balance has been in the red nearly all this year, accumulating a deficit of $151.8m in the five months to May this year.

As a result, about 60 per cent of Argentina's meat-packers that operated in the export market have now ceased operation. Only meat-packers that sell on the local market, where they can charge higher prices, are still in business. Huancayo and Citicorp decided to close Santa Helena after the plant's rising losses threatened to drive the group – which still turned a profit on the domestic market – into the red.

However, the Santa Helena plant is only being mothballed pending an improvement in the international market. The Citicorp executive commented: "Brazil cannot go on like this much longer and soon prices will settle down. The government could also help, by providing credit lines and tax rebates".

Clinton aims to bushwack the US agricultural vote

Nancy Dunne reports on the candidate's Midwest campaign

Bill Clinton and running mate Al Gore visit Ohio state senator Gene Branstool's farm on their campaign tour

BILL CLINTON, the Democratic candidate for US president, is doing all he can to ensure that he reaps a bumper harvest of votes on the Farm Belt.

Recognising that the Midwest could be key to victory in November, he has promised more effective management of the US Department of Agriculture, support for ethanol (vegetable-based fuel oil), and tough action against overseas protectionism.

Last weekend in Iowa, the governor was able to capitalise on widespread disaffection for President Bush, whose heavy-handed largesse – particularly an announcement of $1bn in export subsidies, which came too late in the growing season for the benefit of most farmers – and reluctance to retaliate against the protectionism of the European Community has left him vulnerable.

Mr Clinton promised farmers what all candidates must – higher prices – to be achieved through "decent supply management" and "a vigorous opportunity to export".

"We can do better than corn [maize] and soyabean prices going down," he said. "We can do better than declining farm incomes and better than a Farm Bill that has been mismanaged by people who never wanted to see it work."

More importantly, his support for ethanol came at a time when – to the disgust of farm lobbyists – the White House is torn by indecision over demands for the inclusion of ethanol in a federal programme requiring the use of cleaner fuels in the nation's smoggiest cities. Its inclusion could give a big boost to a struggling industry, raise demand for maize and decrease American dependence on imported oil.

Unfortunately, the Environmental Protection Agency says ethanol emits chemicals which contribute to smog, and the oil industry – with its many Bush backers – has joined forces with environmentalists against ethanol.

While the White House remained unable to resolve its dilemma, Mr Clinton promised to find a way to use ethanol "as a part of our nation's energy security future." An adviser in his campaign said additives could be used to blunt the effect of ethanol on smog.

Without actually saying that he would retaliate over the EC's oilseed subsidy – a case farmers view as having dragged on for years too long – the governor indicated that foreign policy considerations would not stop him from imposing sanctions to open markets.

"Trade barriers cost our oilseed producers $2bn," he said. "The law today gives George Bush the weapons he needs to level the playing field, but he always puts them in mothballs." He also took aim at the EC for its ban on US pork "on the flimsiest of excuse" and the president's early failure to approve export subsidies for pork to Russia.

He vowed support for biotechnology to develop products made from US-grown commodities – biodegradable plastics, soyabean-based inks, industrial oils, lubricants and biofuels. "We can drive up incomes and profits for decades to come and create businesses that will stay in smaller communities," he said, "if we have a little vision and the kind of research and development and technology-spreading we need."

Commodity prices 'at all-time low'

By Nancy Dunne in Washington

WORLD COMMODITY prices sank to "an all-time low" in real terms last year, according to the World Bank.

In its recently-published annual report the bank attributed this is bleak news for the developing countries to a "worldwide slowdown in economic activity" – a trend which has only worsened this year. "Economic difficulties in the Soviet Union and in Central and Eastern Europe generally tended to lower commodity prices – except for basic food stuffs," the report continued.

Although price indexes for cereals and fats were slightly higher than in 1990, beverage prices were down by 5.9 per cent and sugar prices fell by 28.5 per cent. In fact, coffee, cocoa and tea prices hit all-time lows in inflation adjusted terms.

One of the World Bank's commodity specialists, Mr Takamasa Akiyama, said worldwide recession had only a short and medium-term effect on the price declines. Basically, the difficulty in commodity production is the vast productivity increases of the producing countries.

There are a number of factors contributing to productivity increases, but one of them is the World Bank itself, according to some of its critics, including Mr Kevin Watkins, senior economist at Oxfam.

"The bank's structural adjustment programme has contributed to the chronic price depression by encouraging production of commodities for world markets which are already saturated," Mr Watkins said.

It had pushed production, he said, on the ideological assumption that each country must produce what it produced best according to its "comparative advantage" - whether or not there was too much of a commodity around. It also wanted to help the developing countries repay their debts.

"Should World Bank lending be guided by the demand of the Western banks? That is a question it ought to address," Mr Watkins said.

The bank has long recognised the danger in backing overproduction, and it has often tried to restrict such lending. Mr Watkins said, however, that he doubted that the bank's country departments talked to each other about their loans. As one example, he cited support of palm oil production in both Malaysia and Indonesia, two huge suppliers whose output significantly affects world price.

The bank said it tried to limit commodity loans to countries that did not have investment alternatives or simply needed to improve their current productive capacity. However, between 1983 and 1986 it approved 15 projects that were expected to lead to increased coffee production.

Mr Akiyama said the bank had little choice but to help a country increase its productivity lest it lose out to more efficient producers.

Output boost for Danish gas field

By Hilary Barnes, Copenhagen

A DKr6m (£620,000) programme to increase natural gas production from the Tyra field in the Danish sector of the North Sea was announced yesterday by Danish Underground Consortium.

DUC consists of the Danish company A.P. Moller, Shell, the Anglo-Dutch group, and Texaco of the US, with APM's Maersk Oil & Gas as operator.

The plan will increase total production from the field by 30bn cubic metres, said DUC. It includes two new production platforms and nine horizontal wells.

Denmark's natural gas production last year was 5.76bn cu m, of which 3.67bn from the Tyra field. Total estimated recoverable gas reserves in the Danish fields are put by the energy ministry at 210bn cu m.

WORLD COMMODITIES PRICES

MARKET REPORT

London robusta **COFFEE** prices ended mixed. Dealers attributed the lack of business partly to unwillingness to trade during the ICO talks which were due to end late yesterday. "I think it's generally quiet but just in case any miracle did happen (at the talks), people weren't going to do a great deal," one said. New York arabicas had recovered some of Tuesday's losses in late trading. On the LME the premium for cash **ZINC** over three-month metal widened to $12.50 a tonne as the market recovered some of this week's losses. **COPPER** prices remained easier this afternoon although the market consolidated above the three-month lows of $2,344 a tonne for three-month metal set earlier. Support is expected around $2,340 but the market appears to have limited upside potential. Comex copper prices were in retreat at midday. One trader pointed out that Comex stocks are at a five-year high of 51,025 short tons (2,000 lbs) and LME stocks are at the highest level since April. **NICKEL** continued to ease, with the market unable to build on earlier gains. However, there was underlying support from uncertainty over producer intentions.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$18.25-8.30z	-.075
Brent Blend (dated)	$20 10-0 20	-.025
Brent Blend (Nov)	$20.25-0.35	-.025
W.T.I (1 pm est)	$21.60-1.70z	-.075

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$217-219	
Gas Oil	$191-192	
Heavy Fuel Oil	$97-99	+1
Naphtha	$189-190	
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$348.85	+0.7
Silver (per troy oz)♣	375 50c	+0.5
Platinum (per troy oz)	$367.40	+3.05
Palladium (per troy oz)	$95 75	+2.5
Copper (US Producer)	109.0c	-2
Lead (US Producer)	38.4c	
Tin (Kuala Lumpur market)	15.62r	-0.25
Tin (New York)	298 0c	+1 5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	106 29p	-1.30*
Sheep (live weight)†♠	71.09p	+1 32*
Pigs (live weight)†	76.87p	-1.88*
London daily sugar (raw)	$225 4w	-0.6
London daily sugar (white)	$260.0w	-1
Tate and Lyle export price	£234 60	-2.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£141.5	+0.5
Wheat (US Dark Northern)	Unq	
Rubber (Nov)♥	56.75p	-0.5
Rubber (Dec)♥	56.50p	-0.75
Rubber (KL RSS No 1 Oct)	220.5m	
Coconut oil (Philippines)§	$485 0y	-10
Palm Oil (Malaysian)§	$385.0y	
Copra (Philippines)§	$315	
Soyabeans (US)	£141.0w	-2.5
Cotton "A" Index	54 05c	
Wooltops (64s Super)	408p	

£ a tonne unless otherwise stated p-pence/kg. c-cents/lb r-ringgit/kg t-Oct/Dec w-Sep/Oct y-Nov/Dec u-Oct z-Nov. *Meat Commission average fatstock prices. * change from a week ago ♥London physical §CIF Rotterdam. ♣ Bullion market close m-Malaysian cents/kg ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	194.00	194.00	192.00
Mar	194.00	194.00	193.00 192.00
May	197.00	197.00	196.00
White	**Close**	**Previous**	**High/Low**
Dec	254 00	254.00	253.50 253.00
Mar	254.50	254.50	254.50 253.50
May	257.00	256.50	256.50 255.50
Aug	262.90	262.00	262.20 261.00

Turnover: Raw 45 (833)lots of 50 tonnes. White 523 (390) Paris- White (FFr per tonne): Dec 1241 21 Mar 1272.79

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low
Nov	20.34	20.32	20.38 20.20
Dec	20.38	20.35	20.41 20.25
Jan	20.33	20.29	20.35 20.21
Feb	20.23	20.20	20.15 20.13
Mar	20 10	20.08	20.05 20.05
Apr	19.99		19.98 19.92
May	19.89		19.93 19.82
IPE Index	20.34	20.41	

Turnover 23127 (20930)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Oct	189.50	188.75	188.75 187.25
Nov	191.75	192.25	192.00 190.75
Dec	194.00	195.00	194.75 193.25
Jan	194.25	195 25	194.75 193.75
Feb	191.25	192.50	191 50 190.75
Mar	185.50	186.25	185.50 185.00
Apr	180.75	181.50	181.50 180.75
May	178.50	179.00	178.75 178.50
Jun	177.75	178.00	177.75

Turnover 12213 (11819) lots of 100 tonnes

INDICES

REUTERS (Base: September 18 1931 = 100)			
Sep.30	Sep 29	mnth ago	yr ago
1550.1	1552.2	1511.2	1612.9

DOW JONES (Base: Dec. 31 1974 = 100)				
	Sep 29	Sep.28	mnth ago	yr ago
Spot	115.91	115.69	116.61	116.94
Futures	114.34	114.52	115.97	123.42

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Sep	620	633	620
Dec	650	645	654 644
Mar	679	672	681 673
May	698	690	698 692
Jul	716	708	717 710
Sep	734	723	735 728
Dec	760	747	760 753
Mar	787	774	787 780

Turnover: 3708 (6958) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 29 747.42 (740.06) 10 day average for Sep 30 753.19 (754.16)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Sep	770	755	775 760
Nov	778	774	784 762
Jan	796	793	802 781
Mar	805	807	814 795
May	808	795	809 790
Jul	810	800	816 800
Sep	827		817 816

Turnover:4168 (6849) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 29: Comp. daily 47.10 (48.10) 15 day average 47.07 (47 06)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	61.0	60.1	63.0 60.5

Turnover 42 (67) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Oct	129.00	130.50	

Turnover 0 (226) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Oct	1110	1108	1112 1106
Nov	1135	1130	1135 1132
Jan	1170	1165	1170
Apr	1215	1212	1216 1215
Jul	1095	1087	1095
Oct	1290	1280	1290
Jan	1320		1320
BFI	1041	1042	1041

Turnover 215 (171)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Nov	119.50	120.20	119.50 119.25
Jan	122.70	123.40	123.00 122.50
Mar	125.80	126.50	126.10 125.60
May	128.55	129.40	128.55
Jun	130 00		130.00
Barley	**Close**	**Previous**	**High/Low**
Nov	116.50	117 20	116.95 116.75
Jan	120.90	121.25	121.00 120 90
Mar	123.85	124 25	124 00 123.70

Turnover: Wheat 217 (332), Barley 174 (289). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	102.0		102.5
Nov	102.0	103 0	102.0 101.0
Jan	96.5		97.0
Mar	100.0		99.0
Apr	103.0	103.0	101 0

Turnover:32 (7) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 27,060 lots	
Cash	1247-48	1258-59	1255/1263.5	1253-53.5		
3 months	1271.5-72.5	1282-82.5	1285/1271	1278-78.5	1274-75	179,539 lots
Copper, Grade A (£ per tonne)					Total daily turnover 30,427 lots	
Cash	1308-09	1318-20	1306.5/1305	1308-8.5		
3 months	1339.5-40	1350-51	1342/1334	1337-37.5	1336-37	152,233 lots
Lead (£ per tonne)					Total daily turnover 3,586 lots	
Cash	330-31	330.5-31.5	330/329.5	329-29.5		
3 months	343-3.5	343-44	344/340.5	341.5-42	344/345	25,477 lots
Nickel ($ per tonne)					Total daily turnover 5,676 lots	
Cash	6690-700	6710-15	6690/6660	6680-82		
3 months	6770-75	6785-90	6820/6760	6785-70	6760-70	28,732 lots
Tin ($ per tonne)					Total daily turnover 2,713 lots	
Cash	6365-70	6355-65		6350-60		
3 months	6430-35	6425-30	6450/6390	6400-10	6440-50	11,602 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 17,199 lots	
Cash	1314-16	1289-90	1287/1285	1288-89		
3 months	1302-03	1286-87	1304/1285	1285-85.5	1296-97	62,712 lots

LME Closing £/$ rate: SPOT: 1.7815 3 months: 1 7571 6 months: 1.7388 9 months: 1.7183

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	348.70-349.00	
Opening	348.50-348.90	
Morning fix	349.00	196.067
Afternoon fix	349 00	196.731
Day's high	349.70-350.00	
Day's low	348 40-348.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.08	6 months	2.18
2 months	2.11	12 months	2.23
3 months	2.15		

Silver fix	p/troy oz	US cts equiv
Spot	211.05	376.60
3 months	215.70	379.45
6 months	220 05	382.50
12 months	228.70	389.10

GOLD COINS

	$ price	£ equivalent
Krugerrand	348 00-351.00	196.00-197.00
Maple leaf	358.85-361.25	-
New Sovereign	84 00-86.00	47.00-48.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1250	10	45	5	17
1300	3	20	45	42
1350	3	9	75	78
Copper (Grade A)	**Calls**		**Puts**	
2350	9	54	22	52
2400	3	34	63	81
2450	3	19	113	116
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
750	39	67	11	21
800	13	39	35	43
850	3	22	75	76
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
625	42		17	
650	28	61	28	32
675	18	48	43	44
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
2000	34	58	14	31
2050	10	32	36	
2100	3	17	-	85

New York

GOLD 100 troy oz.: $/troy oz.

	Close	Previous	High/Low	
Oct	347.8	348.2	349.4	347.7
Nov	348.5	349.0	0	0
Dec	349.3	349.9	351.3	349 3
Feb	350 6	351.3	352.4	351.1
Apr	352 1	352.7	353.3	353 2
Jun	353.5	354.2	353.8	353.8
Aug	356.0	355.8	0	0
Oct	356.6	357 5	357.0	357.0
Dec	358.3	359.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	370.9	367.6	371.0	369.0
Jan	366.4	363.1	366.8	365.0
Apr	364.9	361.6	365.0	363 5
Jul	364.9	361.6	365.0	365.0
Oct	367.9	364 6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	373.9	372.6	0	0
Nov	374.6	373 2	0	0
Dec	376.2	374 8	378.5	375.0
Jan	377.4	376 0	0	0
Mar	379 7	378.3	381.5	379.0
May	382.1	380.7	382.0	382.0
Jul	384.4	383.0	0	0
Sep	386.9	385.5	0	0
Dec	390.9	389.5	391.5	391.5
Jan	392.1	390.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	103.80	104.40	103 90	103.20
Nov	104 30	104.95	104.10	103.70
Dec	104.75	105.30	104.80	103.80
Jan	105.05	105 55	105.00	104.50
Feb	105.30	105.80	105.00	105.00
Mar	105 50	106.00	105.50	104 90
Apr	105.50	105 90	0	0
May	105.50	105.86	105.50	105.10
Jun	105.50	105 80	105 20	105.20
Jul	105 50	105.75	105.60	105.10

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	8 29	8 49	9.00	8.00
Mar	8 71	8.72	8.74	8.66
May	8 76	8 78	8.81	8.72
Jul	8.79	8.80	8.84	8 75
Oct	8.78	8 78	8.82	8.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Nov	21.71	21 67	21.76	21.54
Dec	21.63	21.60	21.68	21.46
Jan	21.57	21.54	21.60	21.40
Feb	21 46	21.42	21.50	21.30
Mar	21.34	21.30	21.32	21.22
Apr	21.22	21.18	21.25	21.13
May	21.11	21.07	21.13	21.02
Jun	21.01	20.96	21.05	20.90
Jul	20.92	20.91	20.96	20.85
Aug	20.84	20.83	20 84	20.80

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Oct	63.20	62.94	63.40	62.35
Nov	63.62	63.55	63.75	62.80
Dec	64.29	64.35	64.40	63.55
Jan	64.57	64 77	64.75	64.05
Feb	63.69	63.80	63.75	63.00
Mar	61.29	61.50	61 35	60.90
Apr	59.24	59.45	59.10	58.95
May	57.74	57.85	57.85	57.85
Jun	56.74	56.85	56.60	56.60
Jul	56.49	56.70	56.55	56.40

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1009	996	1014	994
Mar	1060	1044	1065	1045
May	1092	1075	1094	1076
Jul	1123	1108	1118	1110
Sep	1154	1139	0	0
Dec	1185	1170	1182	1175
Mar	1226	1209	1220	1220
May	1251	1234	0	0
Jul	1288	1271	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	55.70	54.10	56.50	52.80
Mar	57.10	55.35	58.00	54.00
May	60.85	58.50	60.90	57.40
Jul	62.00	59.70	62.00	59.00
Sep	63.05	60.85	62.65	60.50
Dec	65.25	63.50	65.25	63.50

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	55.35	54.40	55.90	54.90
Dec	52.36	52.44	52.99	52.32
Mar	53.22	53.23	53.75	53 20
May	53.74	53.95	54.50	53 60
Jul	54.45	54.45	55.15	54 15
Oct	55.25	55.10	56 00	56 00
Dec	55.50	55.43	56.50	55 90
Mar	56.15	56.15	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	106.55	104.80	107.50	105.05
Jan	107 10	105.75	108.00	106.00
Mar	108.60	106.60	108.50	107 30
May	110 00	108.25	110 00	108.80
Jul	110.00	107.75	110.00	108 55
Sep	109.40	107.75	109.00	109.00
Nov	109.40	107 75	0	0
Jan	109.40	107 75	0	0

WOOL

The Market in Australia is keeping firm in the face of continuing currency volatility. The US and Australian dollars have been taking a downward course against Europe and Japan. In every wool-using country currency has become far more important in affecting prices from day to day than the course of the wool market itself. International relationships among companies and with suppliers and customers confuse the issue, and trading increasingly cautious. The Australian Wool Corporation's market indicator on September 30 was 533c a kg., just one cent higher than a week before

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	540/6	541/6	543/4	540/2
Jan	547/4	548/4	550/4	547/2
Mar	554/6	554/6	557/0	553/4
May	561/6	562/2	564/0	561/0
Jul	566/6	569/4	571/4	568/4
Aug	570/0	570/0	571/0	570/0
Sep	568/0	569/0	570/0	568/0
Nov	573/6	575/2	576/4	573/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	18.68	18.71	18.83	18 67
Dec	18.94	18.98	19.11	18.92
Jan	19.11	19.16	19.26	19.11
Mar	19.33	19.41	19.50	19.33
May	19 57	19.65	19 75	19.57
Jul	19.82	19.88	19.99	19.82
Aug	19.90	19.99	0	0
Sep	19.98	20 06	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	185.9	185 0	186.2	185.1
Dec	185 7	185.8	186 4	185.3
Jan	185 5	185.9	186 4	185.4
Mar	185.5	185.7	186.3	185.4
May	185 5	186.0	186.4	185 5
Jul	186 8	187.2	187.5	186.6
Aug	187 4	188 0	188.0	187.4
Sep	188 2	188.2	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	215/2	215/4	217/0	215/0
Mar	224/2	224/6	226/0	224/0
May	230/2	230/6	232/0	229/6
Jul	234/2	235/2	235/6	233/6
Sep	235/4	236/0	237/2	235/4
Dec	238/2	238/4	239/4	238/0
Mar	245/0	245/2	245/4	245/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	350/2	347/6	350/4	347/4
Mar	349/6	348/2	350/0	347/4
May	339/0	339/6	340/6	336/6
Jul	318/2	319/0	319/0	317/2
Sep	323/4	323/6	324/0	323/4
Dec	334/0	334/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	75.300	75.175	75.350	75.075
Dec	73.650	73 425	73.700	73.300
Feb	71.800	71.700	71.975	71.675
Apr	72.650	72.600	72.825	72.550
Jun	69 700	69 550	69.750	69.575
Aug	68.275	68.250	68.400	68.250
Oct	68.425	68.375	68.475	68.425

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	42.325	42.000	42.425	41.850
Dec	42.875	42.475	42 975	42.400
Feb	41 825	41.475	41 850	41.550
Apr	40.175	39.900	40 350	39.850
Jun	45.475	44 900	45.550	44.950
Jul	44.800	44 550	45.100	44.550
Aug	44 600	43.450	44.500	43.500

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	39.025	38.675	39.100	38.425
Mar	38 800	38.425	38.900	38.250
May	40.350	39.850	40 350	39.850
Jul	40 450	40.100	40.450	39.800
Aug	39.300	39.300	39.300	39.200

LONDON STOCK EXCHANGE

Currency fears unsettle equities again

By Terry Byland, UK Stock Market Editor

RENEWED weakness in sterling depressed the UK stock market yesterday, casting a shadow over hopes that domestic interest rates might be trimmed again later this week. Share prices moved erratically in London, rallying after a 22 point fall on the FT-SE Index reflected a dip in sterling towards the DM 2.50 rate.

The final reading put the Footsie at 2,553 for a net fall of 12.5 points on the day. Trading volume on the Seaq network increased to 641.7m shares from Tuesday's 533.8m, with a batch of trading programmes crossing the electronic screens as institutions made final rearrangements to their third quarter showcases. But fund managers showed little interest in opening up new equity positions ahead of the final quarter of the year which begins today. Stock Exchange data showed that retail business on Tuesday was worth £1.1bn, maintaining the improvement of recent sessions.

A very large trading programme arrived overnight from a leading US investment bank, to be followed later in the London session by a substantial two way programme from a UK securities house and then by a small sell programme from a London investment bank.

Traders stressed that there was no heavy selling but said that investment confidence seemed to have weakened since the heady days which followed Britain's departure from the ERM system. Equity strategists are disturbed by the sharp rises marked up in Government Index-linked bonds, the prime anti-inflation investment instruments.

Indications of an increasing risk factor in equities were reflected in the continued flow of brokerage downgradings of leading UK companies. Yesterday brought hints of a re-rating of Courtaulds, a further blow to a chemicals sector already disturbed this week by downward revisions on ICI.

Hopes of a further cut in UK base rates, dented on Tuesday by the warning on exchange rates from the governor of the Bank of England, were unsettled afresh when a Bundesbank spokesman discouraged speculation on German interest rate policies ahead of tomorrow's council meeting of the German central bank.

"Sterling is not going back into the ERM because nobody really wants to go back in, they do not really want us back in and we would not last even if we went back in," was the summary of City views put forward by Nick Knight of Nomura Research.

Weakness in the US dollar against sterling brought falls in the US-influenced stocks which have played a significant role in the market's advance over the past fortnight. The fear that sterling's continued fall will undermine the chances for base rate cuts kept store and retail issues on the downward path. Ratners, the retail jewellery chain, disclosed a £30m loss, re-affirming the bearish tone of other trading reports from the retail sector over the past week.

Banking stocks, which have been badly hit by warnings of widespread profits downgradings ahead from the brokerage analysts, staged an uncertain rally yesterday.

Account Dealing Dates		
*First Dealings:		
Sep 21	Oct 5	Oct 19
Option Declarations:		
Oct 1	Oct 15	Oct 29
Last Dealings:		
Oct 2	Oct 16	Oct 30
Account Day:		
Oct 12	Oct 26	Nov 9

*New time dealings may take place from 8.30am two business days earlier.

Chemicals sector hit again

CHEMICALS group Courtaulds became the latest victim of brokers' downgrades with James Capel, the leading London institutional broker leading the way, cutting its profit forecasts for the second time in little over a month. Courtaulds shares tumbled 32 to 456p after Capel reduced estimates by £15m to £185m this year and £205m for 1993-4. Other houses, including Kleinwort Benson and BZW, followed suit after talking to the company.

Like ICI on Monday, Courtaulds hinted at dismal trading over the past three months – raising the spectre of further downgrades ahead in the chemicals sector. Capel analyst Mr David Ingles said: "Courtaulds has been experiencing pressures on volume and price across its whole range of businesses, particularly in the last two months. Even after today's fall, the shares are still too high and we foresee weakness up to the interims in November and (the shares) down to around 420p."

However, Mr Martin Evans at Hoare Govett, who earlier this week led the downgrading of ICI, was more bullish. "Courtaulds is highly operationally geared to any upturn in its key markets. We believe its discount rating to the market more than reflects the current poor trading news and we recommend buying into the present weakness."

Forte sale hope

Prospects for interim results today from Forte took on added spice after it emerged that television and leisure group Granada had expressed interest in buying Gardner Merchant, the hotel company's catering subsidiary. The sale of Gardner, which could raise in the region of £430m, is central to Forte's strategy of expanding its hotel operations in Europe.

Forte has been hinting that interim profits may barely exceed £30m, but some analysts believe such suggestions may be on the bearish side. Yesterday, Forte edged back a half-penny at 135p, with Granada up 4 at 262p.

Granada's hints over Gardner Merchant came at private briefings to analysts and brokers. The company said it would consider a move for the catering group should Forte fail in its lengthy attempts to find a suitable buyer, and hope to extract a better price than Forte was currently seeking.

Trafalgar active

Conglomerate Trafalgar House, whose shares have recently been depressed by financial worries, traded briskly on hints that its Cunard subsidiary was about to sell six ships to P&O. Such suggestions were roundly denied by the company after the market close, but one analyst noted "such a sale would nevertheless make sense".

The shares closed 5¼ better at 60½p, as turnover rose to 10m shares.

Trafalgar was also the subject of two conflicting broker's recommendations. BZW, which lost its position as joint broker of the company last week, was reported to have weighed in with a sizeable profits downgrade, reducing its current year estimate by £45m to £60m. The broker was also understood to have concerns regarding the dividend.

Morgan Stanley also reduced its current year profits forecast, cutting its figure by £15m to £80m. Analyst James Ritchie, however, recommended the stock saying, "the company is in the process of changing. There will soon be announcements on the (management) succession which will clarify the direction of the company." He believes the company will pay a covered dividend. P&O closed 7 ahead at 389p, on trade of 5.9m.

Burmah Castrol continued to lose ground, unsettled by broker sell recommendations, and the shares slipped a further 7 to 638p.

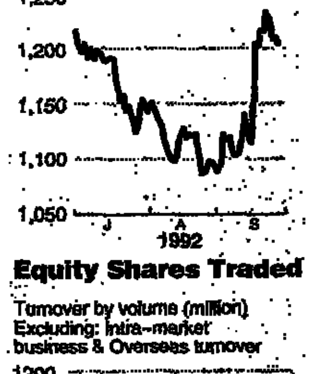
BP came under strong selling pressure during early trading and drifted back to 210p, as at least one influential London broking house detailed the bear case on the stock and recommended a switch into Shell. However, the stock later rallied to close a shade firmer at 214½p, on active turnover of 12m. Shell were aggressively traded to end a busy session a fraction off at 537p on turnover of 2.7m.

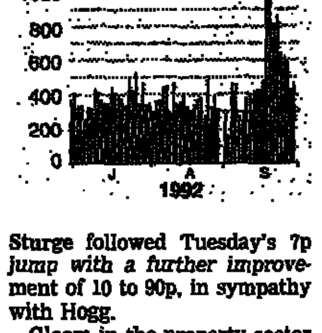
The banks endured another painful session, with County's bearish stance on TSB said to have triggered the 4 decline to 129p in the shares after heavy turnover of 5.4m. Lloyds, recently pinpointed by County as a sell, fell away to 438p before rallying and closing marginally higher at 432p on 3.4m traded. Property worries continued to bear heavily on Barclays shares which came under consistent downside pressure to close a further 14 off at 337p on sizeable turnover of 6.4m.

HSBC attracted the heaviest turnover(10m) in the high street banks, slipping back to 391p on stories of a $75m provision taken against one of its US divisions.

However it recovered strongly to end the session unaltered at 400p. The recovery was helped by a buy note issued by Smith New Court highlighting the impact on the group of the appreciation of the US dollar and the more favourable macroeconomic environment in the UK.

In the broking sector, Hogg Group jumped 14 to 131p, after reaching 134p, as the market expressed its satisfaction at the maintained interim dividend.





Sturge followed Tuesday's 7p jump with a further improvement of 10 to 90p, in sympathy with Hogg.

Gloom in the property sector was deepened by Scottish Metrolpolitan's decision not to pay a final dividend. The company said: "In recent months property investment and letting markets have shown marked deterioration, resulting in a further decline in values," adding that its net asset value had slumped from 145p to 114p in the last year. Some analysts said that the company's spread of assets, mostly commercial lettings split 60:40 between Scotland and England, and positive cash flow might make it an attractive target for other property groups wanting to spread their geographical base. The shares recovered to close 2 off at 24p.

Following Sears gloomy results on Tuesday, Great Universal Stores retreated over worries regarding its mail order business. Sears had reported flat trading at its Freemans catalogue subsidiary. GUS 'A' shares lost 33 to 1560p. Sears fell 3 to 77p.

In transports, BAA gained 14 to 736p, with UBS Phillips and Drew reported to have shown a keen interest in the shares.

Among engineers, TI Group fell 20 to 270p, after Kleinwort Benson downgraded current year profits forecast. The stock was further weakened by fears of provisions at the Dowty Group subsidiary.

The first signs of renewed confidence at British Aerospace were seen yesterday following Tuesday's long meeting with analysts. The shares bucked the poor market trend to end 10 up at 128p.

MARKET REPORTERS:
Joel Kibazo,
Steve Thompson,
Christopher Price.

■ Other market statistics, Page 25

NEW HIGHS AND LOWS FOR 1992

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FINANCIAL TIMES STOCK INDICES

	Sept 30	Sept 29	Sept 28	Sept 25	Sept 24	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.35	89.58	89.65	89.70	89.78	87.48	90.11 (14/9)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.35	104.27	104.26	104.50	104.50	97.17	106.46 (14/9)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1860.6	1876.6	1873.1	1914.0	1936.7	2037.9	2149.7 (22/5)	1670.0 (1/9)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	74.2	74.8	77.1	78.8	79.3	157.2	160.6 (10/1)	65.0 (10/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2553.0	2565.5	2560.0	2601.0	2621.2	2644.2	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1079.39	1080.97	1082.26	1114.64	1121.06	1178.20	1248.79 (11/5)	1029.58 (25/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.76	4.72	4.73	4.62	4.56	4.61				
●Earning Yld %(full)	6.94	6.87	6.89	6.73	6.65	7.39				
●P/E Ratio(Net)(☆)	18.25	18.43	18.37	18.83	19.05	16.87				
SEAQ Bargns 5.00pm	20,685	21,642	21,996	29,229	27,447	30,807				
Equity Turnover(£m)†	-	1129.5	1151.1	1319.2	1417.8	1184.49				
Equity Bargains†	-	24,520	26,364	32,791	30,976	30,178				
Shares Traded (ml)†	-	454.7	437.7	589.7	623.6	456.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ☆ nil 16.53.

Ordinary Share Index, Hourly changes — Day's High 1872.9 — Day's Low 1856.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1872.0	1866.9	1871.3	1863.5	1857.9	1859.4	1860.8	1859.9	1859.0

FT-SE 100, Hourly changes — Day's High 2562.2 — Day's Low 2543.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2557.1	2549.8	2560.0	2553.9	2545.2	2548.3	2550.4	2550.5	2551.0

FT-SE Eurotrack 200, Hourly changes — Day's High 1084.42 — Day's Low 1075.98

Open	11.30 am	12 pm	1 pm	2 pm	3 pm	4 pm
1082.43	1081.89	1083.19	1082.33	1078.00	1077.37	1078.73

GILT EDGED ACTIVITY

Indices*	Sept 29	Sept 28
Gilt Edged Bargains	117.1	119.2
5–Day average	168.2	192.1

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	23	396	-2	Comm. Union	2,800	537	+3	Lonrho	1,100	69		Shell Transport	2,800	537	-½
ASDA Group	8,000	33½		Cookson	632	150	-1	Lucas	2,500	89	-1	Siebe	731	353	-1
Abbey National	2,800	313	+1	Courtaulds	1,900	456	-32	MB Caradon	622	251	+2	Slough Ests	874	103	-1
Albert Fisher	1,000	35½	+½	Dalgety	731	426		MEPC	1,600	278	+3	Smith (W.H.) A	436	442	-5
Allied-Lyons	3,800	607	-6	De La Rue	677	650	+6	Marmeb	144	440	+7	Smith & Nephew	2,200	143	-1½
Amstrad	865	25½	-½	Dixons	1,600	212	-8	Marks & Spencer	1,600	325½	-½	SmKl Beecham	6,600	485½	-8½
Anglian Water	565	436½	+9½	Eastern Elect.	1,100	367	+3	Midlands Elect.	504	410	+5	SmKl Beecham Uts.	6,500	431	-1
Argos	1,300	243	-2	East Midland Elect.	2,800	380	-3	NFC	907	285	+1	Smiths Inds	1,800	308	+7
Argyll Group	4,400	335	-7	Eng China Clays	1,000	430	+5	NatWest Bank	3,300	363	+5	Southern Elect.	2,600	387	+6
Arjo Wiggins	2,000	164	+5	Enterprise Oil	2,100	422	-4	National Power	1,900	281	+6	South Wales Elect.	423	461	+13
Ass. Brit. Foods	1,700	427	+4	Eurotunnel Units	300	420	+10	Next	2,500	98	+1	South West Water	299	436	+10
Ass. Brit. Ports	143	280	+1	FKI	2,200	82	-1	North West Water	1,000	458	+7	South West. Elect.	524	402	+9
BAA	2,800	736	+14	Fisons	978	184	-3	Northern Elect.	507	421	+13	Southern Water	1,000	415	+7
[illegible]															
British Land	647	146	+1	Kingfisher	1,800	500	-9	Royal Insurance	2,800	178	-4	Wellcome	2,008	921	+1
British Steel	13,000	58½	+½	Kwik Save	159	667	-5	Sainsbury	700	152	+2	Welsh Water	513	483	+6
Bunzl	1,600	101	-1	Ladbroke	7,500	172½	+1½	Sainsbury	4,400	469	-2	Wessex Water	98	526	+8
Burmah Castrol	664	638	-7	Land Securities	2,600	403	+9	Scottish & New.	3,000	427	-14½	Whitbread 'A'	359	427	-13½
Burton	677	39	+1	Laporte	1,200	559	-5	Scot. Hydro-Elect.	1,700	205½	+6½	Williams Hldgs.	644	271	-8
Cable & Wire.	4,000	586	-4	Legal & General	820	355	+8	Scottish Power	8,700	194½	+5½	Willis Corroon	1,400	195	
Cadbury Schweppes	1,400	444	-8	Lloyds Abbey	1,800	348	-15	Sears	7,300	77	-3	Wimpey	2,400	101	+1
Calor Group	39	194	+5	Lloyds Bank	4,000	432	+1	Sedgwick	2,100	131	-11	Wolseley	131	369	+1
Carlton Comms.	373	653	+12	LASMO	2,300	160½	-1	Seeboard	267	408	+12	Yorkshire Elect.	1,100	437	+5
Coats Viyella	2,000	198	-3	London Elect.	514	395	+1	Severn Trent Water	1,900	415	+7	Yorkshire Water	750	483	+10

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures had a dull but volatile session as Tuesday's late talk of a cut in German interest rates faded, and the continued weakness of sterling led to the belief there would be no cut in UK base rates either, writes Joel Kibazo.

The strong opening of December at 2,603, was quickly reversed by a strong bout of selling which soon dried up leaving the contract to go better.

The advance to 2,618 seen around 10am was surrendered as worries over the economic outlook gained the upper hand, and December traded sideways for most of the rest of the session with the early dullness in the other European markets also taking its toll.

The late burst of traders covering positions led to a reversal in the fortunes of December sending it sharply forward on a squeeze. It closed at 2,617, down 9 on its previous session and about 25 points ahead of its fair value premium to cash of about 40. Turnover was poor at 7,498 lots.

Traded options were dull with total turnover reaching a mere 21,301 contracts, well below the market's 30,000 break even level, with the FT-SE 100 option trading 7,253 contracts.

ICI was the most actively dealt stock option with a day's total of 1,010 lots.

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Sep 30 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Sep 29 Index No.	Mon Sep 28 Index No.	Fri Sep 25 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (175)	752.79	-0.4	7.70	5.82	16.77	26.19	755.54	766.73	776.84	858.82
2	Building Materials (23)	710.86	-0.4	7.40	7.73	18.73	30.02	713.57	737.62	757.21	1048.02
3	Contracting, Construction (27)	612.60	+0.3	3.18	8.24	347.52	29.27	610.70	618.44	629.03	1163.82
4	Electricals (9)	2095.60	-0.4	8.02	7.18	16.49	85.80	2103.84	2117.45	2171.82	2668.69
5	Electronics (27)	2035.54	-0.4	7.98	4.24	15.63	47.93	2043.08	2058.46	2054.38	1823.47
6	Engineering-Aerospace (6)	279.06	+1.6	12.92	8.36	9.82	13.53	274.80	273.62	280.36	371.32
7	Engineering-General (43)	452.72	-2.0	8.94	5.19	14.27	14.37	461.89	466.66	472.14	503.16
8	Metals and Metal Forming (7)	307.70	+0.7	5.65	7.11	25.74	7.52	305.50	311.48	315.68	463.99
9	Motors (14)	302.05	-0.7	8.78	7.82	15.00	14.69	304.28	308.82	313.75	352.91
10	Other Industrial Materials (19)	1749.65	-0.1	7.17	4.76	16.86	57.80	1751.95	1778.28	1799.64	1653.70
21	CONSUMER GROUP (191)	1584.65	-0.7	7.28	3.64	17.01	32.79	1595.99	1580.01	1611.20	1569.02
22	Brewers and Distillers (25)	1927.47	-2.5	8.65	3.82	13.94	41.39	1977.33	1971.03	2031.77	1954.99
25	Food Manufacturing (19)	1191.48	-0.8	8.99	4.44	13.75	28.04	1201.52	1195.35	1202.57	1251.91
26	Food Retailing (18)	2710.17	-0.4	9.14	3.41	14.19	48.07	2721.20	2675.44	2693.39	2569.83
27	Health and Household (25)	4057.79	+0.1	5.45	2.73	21.25	68.85	4054.80	3968.89	4079.76	3744.04
29	Hotels and Leisure (18)	1074.29	+0.6	7.50	6.35	17.43	38.53	1067.87	1053.66	1083.62	1338.33
30	Media (26)	1618.77	-0.3	6.10	3.25	20.46	32.89	1624.16	1623.88	1642.36	1549.04
31	Packaging, Paper & Printing (17)	741.54	+0.9	6.84	4.36	18.19	22.00	734.68	734.38	735.55	784.76
34	Stores (34)	1024.33	-1.0	6.93	3.54	19.22	18.84	1035.06	1028.73	1046.48	1001.81
35	Textiles (9)	667.02	-0.5	7.12	4.60	17.68	16.42	670.12	676.70	686.08	635.38
40	OTHER GROUPS (117)	1286.53	....	9.72	5.28	12.88	39.94	1286.40	1288.59	1298.26	1330.48
41	Business Services (17)	1347.52	-0.4	6.65	3.91	18.44	23.67	1353.56	1361.14	1373.50	1431.43
42	Chemicals (22)	1361.08	-1.2	7.20	5.33	17.23	48.13	1377.89	1387.08	1437.62	1485.69
43	Conglomerates (10)	1257.72	-1.2	9.17	8.75	13.96	38.55	1273.57	1268.44	1284.68	1547.87
44	Transport (14)	2526.31	+1.3	7.96	4.68	15.46	74.86	2493.60	2511.42	2531.01	2425.36
45	Electricity (16)	1427.11	+1.8	14.58	5.14	8.84	55.01	1402.04	1384.22	1375.29	1286.51
46	Telephone Networks(4)	1435.44	-0.3	10.53	4.60	12.38	46.15	1439.71	1440.18	1447.85	1658.67
47	Water(11)	2971.26	+1.5	15.07	5.82	7.34	86.85	2925.98	2906.00	2864.00	2533.94
48	Miscellaneous (23)	2171.99	-0.6	6.10	4.65	20.56	55.15	2184.14	2219.34	2228.58	1929.10
49	INDUSTRIAL GROUP (483)	1281.42	-0.4	8.16	4.55	15.35	33.98	1286.76	1284.29	1303.01	1320.08
51	Oil & Gas (17)	2025.80	....	6.66	6.41	19.67	84.69	2025.47	2029.78	2045.29	2440.24
59	500 SHARE INDEX (500)	1351.01	-0.4	8.00	4.75	15.71	37.99	1356.04	1354.00	1372.76	1416.91
61	FINANCIAL GROUP (83)●	751.29	-0.4	-	5.87	-	29.00	754.02	759.57	774.07	832.24
62	Banks (9)●	1011.56	-0.7	5.12	5.50	29.30	39.95	1018.30	1034.58	1056.33	977.08
65	Insurance (Life) (6)	1577.33	....	-	5.76	-	66.22	1577.75	1557.92	1581.84	1559.86
66	Insurance (Composite) (7)	539.62	....	-	5.57	-	16.37	539.68	536.00	547.98	632.20
67	Insurance (Brokers) (10)	691.75	-1.3	10.28	8.12	12.78	39.90	701.05	716.43	727.26	1180.18
68	Merchant Banks (7)	462.47	-0.3	-	4.80	-	13.08	463.76	466.66	475.00	482.75
69	Property (30)	551.62	+0.7	10.24	8.01	12.96	22.28	547.96	549.46	556.90	965.78
70	Other Financial (14)	241.73	-0.2	8.27	6.90	15.88	7.81	242.19	242.44	244.57	260.73
71	Investment Trusts (70)	1135.63	-0.9	-	3.95	-	26.39	1146.21	1160.93	1169.68	1259.85
99	ALL-SHARE INDEX (653)●	1206.16	-0.4	-	4.87	-	35.34	1210.80	1210.82	1228.23	1275.36

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 29	Sep 28	Sep 25	Sep 24	Sep 23	Year ago
FT-SE 100 SHARE INDEX‡	2553.0	-12.5	2562.2	2543.4	2565.5	2560.0	2601.0	2621.2	2580.5	2644.2

FIXED INTEREST

	PRICE INDICES	Wed Sep 30	Day's change %	Tue Sep 29	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	124.92	-0.02	124.94	2.16	9.31
2	5-15 years (25)	139.15	-0.17	139.38	1.81	10.59
3	Over 15 years (8)	144.18	-0.38	144.72	1.41	9.97
4	Irredeemables (6)	162.60	-0.42	163.28	3.40	8.83
5	All stocks (61)	136.48	-0.15	136.68	1.92	10.25
	Index-Linked					
6	Up to 5 years (2)	176.22	+0.14	175.97	0.44	3.25
7	Over 5 years (10)	158.06	+0.86	156.70	0.82	3.64
8	All stocks (12)	159.36	+0.76	158.16	0.76	3.56
9	Debs & Loans (62)	117.30	-0.40	117.77	1.90	9.40

	AVERAGE GROSS REDEMPTION YIELDS		Wed Sep 30	Tue Sep 29	Year ago (approx.)
	British Government				
1	Low	5 years	7.98	7.95	8.48
2	Coupons	15 years	8.79	8.75	9.33
3	(0%-7¾%)	20 years	9.02	8.98	9.33
4	Medium	5 years	8.56	8.54	9.59
5	Coupons	15 years	9.24	9.19	9.45
6	(8%-10¾%)	20 years	9.38	9.33	9.41
7	High	5 years	8.84	8.83	9.80
8	Coupons	15 years	9.46	9.42	9.52
9	(11%-)	20 years	9.54	9.48	9.45
10	Irredeemables	†	9.48	9.44	9.55
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.54	3.57	3.78
12	Inflation rate 5%	Over 5 yrs.	4.11	4.17	4.22
13	Inflation rate 10%	Up to 5 yrs.	2.76	2.80	3.17
14	Inflation rate 10%	Over 5 yrs.	3.93	3.99	4.05
15	Debs &	5 years	9.98	9.93	11.21
16	Loans	15 years	10.54	10.49	10.95
17		25 years	10.58	10.53	10.77

‡Opening Index 2557.1; 9 am 2549.8; 10 am 2560.0; 11 am 2553.9; Noon 2545.2; 1 pm 2548.3; 2 pm 2550.4; 2.30 pm 2550.6; 3 pm 2550.5; 4.10 pm (a) ; (b) † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 3rd Floor, Number One, Southwark Bridge, London SE1 9HL. ●The HSBC dividend is not subject to Advance Corporation Tax at 25%.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8¼pc 1993		100	—	100	97⅞	8.25	8.16
10pc 1993‡‡		101xd	—	101	99⅛	9.90	8.23
12½pc 1993‡‡		103⅞	-⅛	103⅞	100⅞	12.10	
Funding 6pc 1993‡‡		98⅞	—	98⅞	95⅝		
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
9pc 2000‡‡		101⅞	—	102	94⅝	8.84	8.65
Treas 13pc 2000		121⅛	+⅛	121⅛	114⅞	10.73	9.12
10pc 2001		106⅛	-⅛	106⅛	99⅞	9.41	8.90
14pc '98-01		121¼	-⅛	121⅞	115⅞	11.55	9.08

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
4⅝pc '98	(136 3)	171½	+⅛	171½	15⅞	3.67	4.13
2½pc '01	(78 3)	152¼	+¼	152⅞	139⅞	3.70	4.04
2½pc '03	(78 8)	148⅞	+⅞	150⅛	135	3.78	4.06

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1992: 136.3 and for August 1992: 138.9.

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11⅛ 2010		110⅛	-⅛	115⅞	105⅞	10.11	9.88
Asian Dev 10¼pc 2009		104½	-⅛	109⅞	100⅛	9.81	9.69
B'ham 11½pc 2012		108½	—	113½	102⅞	10.60	10.48
Ireland Cap 8½pc '10		95	—	99¼	88¼	8.95	-
9pc Cap 1996		97½	-1	99¼	90	9.23	-
13pc '97-02		113	—	115½	103⅞	11.50	-
Hydro Quebec 15pc 2011		135⅞	-⅞	141⅞	130⅞	11.08	10.58
Leeds 13½pc 2006		121¾	—	125	116¼	11.09	10.50
Liverpool 3½pc Irred		31½	—	34	30	11.11	-
LCC 3pc '20 Aft		29½	—	31¼	27	10.17	-
Manchester 11½pc 2007		107¼	—	111¼	103¼	10.67	10.47
Met. Wtr. 3pc 'B'		61¼	—	62	53	4.86	8.60
N'wide Anglia 3⅞pc 2021		112½	—	112½	103¼	-	5.23
4¼pc IL 2024		112	—	112	103¼	-	4.99
Utd Mex States 16½pc 2008		124½	—	128	121½	13.25	12.85

NOTICE OF PAYMENT

to Holders of

Olympia & York Eurocreditco Limited

11½% Debentures due November 2, 1992

NOTICE IS HEREBY GIVEN that on October 9, 1992 a partial payment of Cdn.$103.67 for each Cdn.$1,000 principal amount of Olympia & York Eurocreditco Limited 11½% Debentures due November 2, 1992 (the "Debentures") will be available to holders from The Royal Trust Company, trustee under the Trust Deed dated as of October 29, 1987 pursuant to which the Debentures were issued. Holders may obtain partial payment on this date by presenting the original Debenture certificate to any of the following paying agents:

Bank of Montreal
London Office
11 Walbrook, 2nd Floor
London EC4N 8ED
England

Bankers Trust Luxembourg S.A.
14 Boulevard F.D. Roosevelt,
L-2450 Luxembourg

Kredietbank N.V.
7 Rue d'Arenberg
1000 Bruxelles
Belgium

Credit Suisse
8 Paradeplatz
8021 Zurich
Switzerland

Bank of Montreal
Main Office
First Canadian Place
Toronto, Ontario M5X 1A1

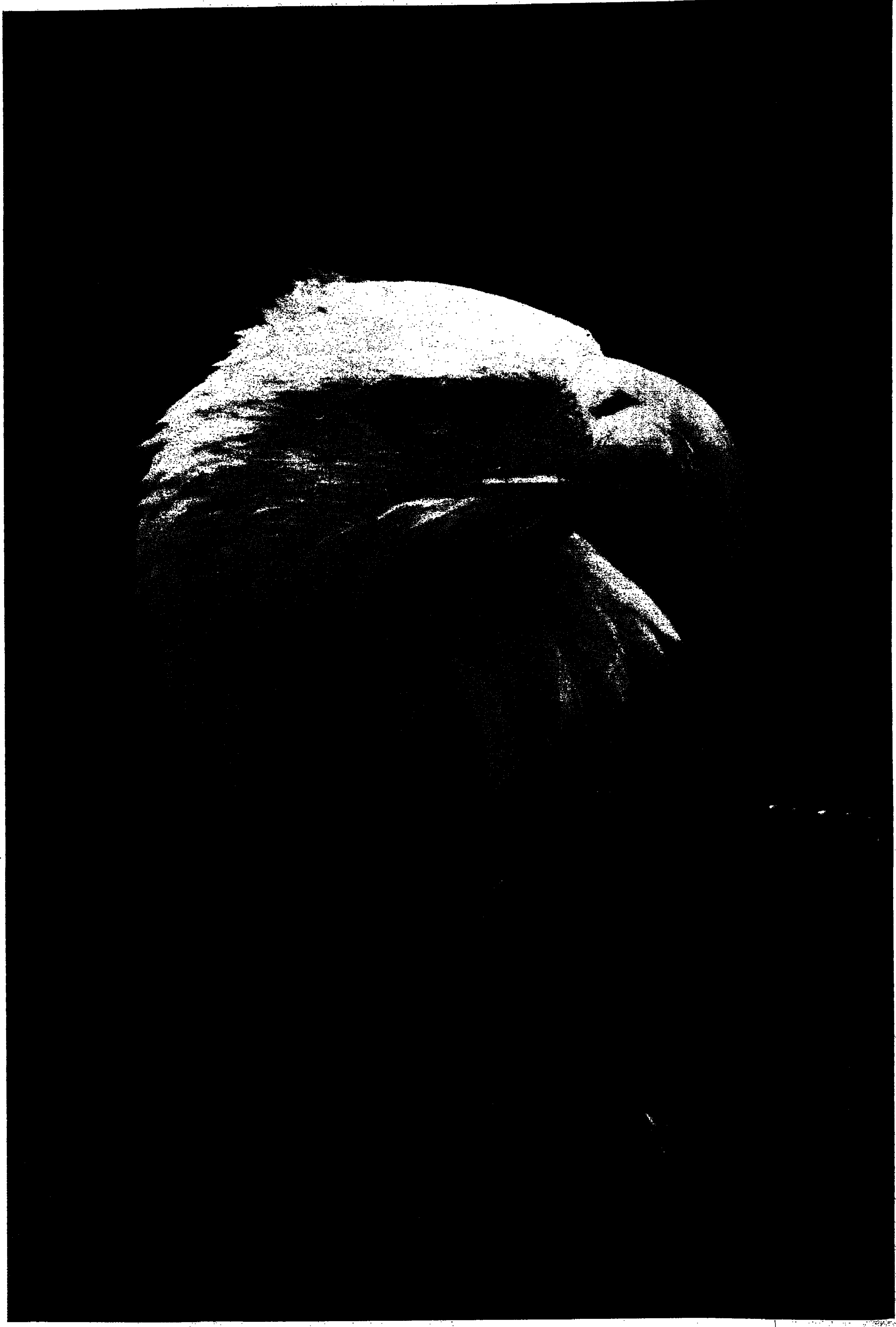
Debentures presented for payment will be marked to show the partial payment and returned to the holder. No interest or other income on or in respect of the payment amount will accrue to holders presenting Debentures after October 9, 1992.

Persons having an interest in Debentures maintained in the Euro-clear or Cedel clearing systems need not present such Debentures for payment, as arrangements have been made for the payments in respect of such Debentures held as of October 6, 1992 to be made through the clearing systems.

Any inquiries concerning the payments may be directed to the principal paying agent, Bank of Montreal, London Office, Attention: Manager, Fiscal Agencies. Telephone (4471)-236-1010.

DATED this 1st day of October, 1992.

THE ROYAL TRUST COMPANY
Lawrence Johnson
Secretary



THE EAGLE HAS LANDED.

And it's here to stay.

For years we've been a high flyer in the electronic capital of the world, Texas, USA. Now we've decided to spread our wings and venture into Europe with the most advanced PCs of today and tomorrow.

In Europe we've been preparing ourselves under the name of Victor Technologies. From today onwards, we will be known as Tandy Grid Europe.

Tandy Corporation has always been a big name in the States. Last year we sold 600,000 computers and other electronic equipment for US 4.5 billion dollars.

Anyone thinking of buying a PC will realise the importance of buying the most technologically advanced and up-to-date model. After all, it's your hard work and professional reputation that is on the line.

In just a few weeks we'll be announcing the launch of a revolutionary new product. It's guaranteed to ruffle a few feathers.

TANDY GRiD
EUROPE

BELGIUM • DENMARK • FINLAND • FRANCE • THE NETHERLANDS • NORWAY • SPAIN • SWEDEN • SWITZERLAND • UNITED KINGDOM

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs	h	15⅞xd	-¼	19⅛	14⅝	13,290	2.2
♥Allegheny & W		352p	+13	367p	226p	182.9	5.0
Amdahl		514p	+5	1139p	509p	577.2	1.1
Amer Cyanamid		31⅛	+⅛	37	28⅝	2,831	3.1
Amer Express		12⅛xd	-⅛	13⅞	10	5,780	4.9
Amer T & T		24⅛xd	-⅛	25	20⅛	32,416	3.2
Ameritech		38⅝	-⅛	40	32½	16,911	5.3
BankAmerica		28xd	-⅞	27⅛	19	8,118	3.2
Bankers NY		35⅝xd	-1	37	28⅞	2,859	4.6
Bell Atlantic		27⅛	—	28⅛	23⅛	11,784	5.6
BellSouth		29⅛	-⅛	32⅞	25	14,360	5.5
♥Bethlehem Steel		9xd	-	9⅝	5¼	683.6	—
Bowater		1113pxd	-3	1578p	905p	482.3	6.3
CPC	h	26¼xd	-¼	28⅞	22⅛	4,051	2.6
♥Cadiz Land Inc		128p	—	362p	128p	—	—
Chase Manhattan		12¼xd	-⅝	16½	9⅛	1,747	5.7
Chrysler		12½xd	-¼	13	8¼	3,056	2.8
Citicorp		8⅞xd	-	11¼	5⅛	3,119	—
Colgate-Palm		32⅛xd	-1	33½	25¼	5,124	2.3
Cont'l Bank		910p	+5	1036p	493p	925.6	3.8
Dana		21xd	-	24½	14	1,092	4.3
Data General		680p	+5	1084p	384p	171.1	—
♥Decora Inds		118p	—	122p	68p	—	—
Dun & Brad		32¼	+¼	33½	27⅝	5,754	4.1
Eaton		43½	—	46½	32½	1,582	3.0
Echlin		11¼xd	-¼	11¾	7⅛	647.8	3.6
FPL		20¼xd	-⅝	21⅛	17	3,657	7.0
Fluor		24¼xd	-	27	19¼	1,988	1.0
Ford Motor		21¼xd	-	28⅛	15	10,683	2.7
Gen Elect		43¼xd	-1⅝	48⅛	36⅛	37,376	3.2
♥General Host		514p	-16	564p	360p	—	4.1
Gillette		31xd	-1	34	23	7,808	1.3
Hasbro		18⅞	+⅛	19⅝	12⅛	1,638	0.8
Honeywell		37	-	43	32	2,898	2.8
Houston Inds		25¼	-⅛	28	22	3,270	6.9
IBM		45⅛xd	-2	54½	42⅞	25,896	6.2

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

	Notes	Price	+ or -	1992 high
Steetley		7xd	—	15
Tarmac		71	-4	101
Tilon		134	-1	170
Travis Perkins		135	-3	228
Tudor		36	—	38
Unigroup		16	—	24
Ward Group	†	830	—	91
Waterhouse		34	—	43
Wickes		60	-4	104
Wilshaw		14½	-½	18¼
Wolseley		355	+1	479

BUSINESS SERVICES

	Notes	Price	+ or -	1992 high
ADT S		380	-2	533
Adam & Harvey		200	—	248
Air London	†	76	—	127
African Lakes		37	—	63
Auto'ted Sec	†	105	-1	152
BET		100	-6	208
BNB Res		51	—	100
BPP	†	273	—	283
Barbour Index		220	—	280
Boustead		19	—	30½
Brit Data Mangt		138xd	-1	165
Broadcastle		11	—	14
Brooks Service		76	—	101
Burns-Anderson		2	—	7
CRT		100	—	142
Capita	†	347	-2	422
Casket		31½	—	34
Chiltern Capital		42½	-1	278
Christie Group		26	—	39
Comac		28	—	43

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

Notes	Price	+or-	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Hemlo Gold C$	£4⅞	−⅛	£5⅞	£3⅞	421.8	2.2
Ivernia West IE	38	—	59	32	11.1	—
Kells Mints IE	18	—	42	14	0.43	—
Kenmare	8¼	−⅛	8½	2¼	3.12	—
Melinga Res	16½	—	48	12	1.62	—
Navan Res IE	28	—	28	16	3.49	—
North West Expl A$	3	—	6	2	1.91	—
Oryx Gold	52½	—	103	51	—	—
Plateau	3¾	—	13	3	1.37	—
RTZ	618xd	+6	659	469	6,198	4.2
Vizcaya	1¼	—	3	1	0.94	—
Western & Pac C$	20¼	−1	66	7	11.1	—

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT at 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- ` Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1260 a year for each security shown, subject to the Editor's discretion.

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You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181, quoting the code FT3078. Reports will be sent the next working day, subject to availability. Please quote the current code above, which is changed weekly. Only one report per company.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline International telephone service.

Annual subscription £250.00 stg.

Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income	5	221.3	224.1	238.3	+0.3	5.88
(Accum Units)	5	367.2	371.8	395.5	+0.6	5.88
UK Growth	5	282.3	284.7	302.8	+1.8	3.42
(Accum Units)	5	343.7	348.7	370.9	+2.2	3.42
Int Equity Gth	5	47.95	48.04	51.10	-0.39	1.12
Intl Bond	5	58.55	58.95	61.49	-1.10	6.29
Special Sits Gwth	5	14.03	14.50xd	15.42	+0.07	3.64
North American Gwth	5	71.20	71.43xd	75.98	+1.35	0.96
European Growth	6	52.15	52.39	55.73	-0.05	1.15

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E) & Co (1000)F						
Admir 5 Rayleigh Rd, Hutton, Brentwood Essex						
Enquiries 0277 227300 Dealing 0277 261010						
Intl Bond & Conv	5	112.30	112.60	118.50	-0.30	6.20
Pooled Pension $	3½	128.5	132.9	237.5	-2.9	-
Smaller Cos	5	90.79	92.58	99.35	-0.8	2.94
UK General	5	105.40	106.10	110.60	+0.20	2.81
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071-407 5966						
Income	5	324.89	324.89	344.38	+1.1	6.01
Global Inc	5	46.76	46.76	49.56	-0.18	4.94
Brit Leaders	5	279.79	279.79	296.58	+1.10	3.44
Intl Leaders	5	145.25	145.25	153.96	-0.88	2.13
[illegible]	3½	45.21	45.72	47.50	-0.16	4.58
[illegible]	3½	45.21	45.72	47.50	-0.16	4.30
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	46.52	46.65	47.49	+0.12	2.57
Smaller Cos	5	106.8	111.3	118.3	-0.9	2.99
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W Americas $	5	216.3	216.6	229.2	-4.8	1.01
S & W Capital	5	98.25	98.25	105.4	-	1.99
S & W Cash $	0	100.28	100.28	100.28	+0.02	9.76
S & W European	5	98.13	98.52	104.2	-1.1	1.54
S & W Far Eastern	5	92.78	93.47	98.91	-1.29	0.17
S & W Growth	5	106.2	107.4	113.5	-0.7	1.72
S & W Income	5	91.32	92.90	98.90	-0.90	6.04
S & W Kingsway	5	104.1	104.1	111.8	-	1.92
S & W Sunfit Secs	5	229.3	239.4	249.0	-2.7	1.18
S & W Theoregeneral	5	120.6	120.6	129.4	-	1.80
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT. 071-248 1250						
4 Hourly Pricing – 12 Noon Historic						
American Gwth	5¼	56.23	56.23	60.13	-0.21	0
Eur Sp Sits Acc	5¼	38.37	38.37	40.87	-0.82	0
Eur Sp Sits Inc	5¼	36.76	36.76	39.16	-0.82	0
Far East Opps Inc	5¼	21.34	21.34	23.03	-0.32	0
Far East Opps Acc	5¼	21.87	21.87	23.40	-0.35	0
General Growth	5¼	82.88	82.88	89.04	-0.32	3.67
General Growth Acc	5¼	84.27	84.27	90.53	-0.32	3.67
Global Tech	5¼	82.27	82.27	88.88	-0.17	0
Income Growth	5¼	81.40	81.40	87.53	-0.19	5.34
Income Growth Acc	5¼	81.40	81.40	87.53	-0.19	5.34
Income Monthly	5¼	45.30	45.30	48.44	+0.09	7.14
Japan Growth	5¼	54.04	54.04	57.43	-1.12	0
Overseas Growth	5¼	57.81	57.81	61.79	-0.40	0
Smaller Cos	5¼	53.92	53.92	57.97	+0.21	3.50

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	76.79	76.79	78.60	-1.35	0.00
Short Dtd Gilt	1¼	101.3	101.3	102.6	-0.1	1.93
U.S. Govmnt Bond	1½	$0.7049	0.7049	0.7142	[illegible]	0.00
Gilt Income	4	48.86	48.86	50.84	-	9.30
Gilt Growth	4	59.88	59.88	62.32	-0.06	0.00
City Reserve	0	54.63	54.63	54.63	+0.01	9.80
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	95.94	96.11	50.69	-0.28	2.78

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exmt Sep 16	530.6	547.5	-	1.27
James Capel Fund Managers Ltd				
Managed Exempt	111.33	117.775	-0.088	4.71
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Aug 31	477.00	479.10	-	6.18
Fxd Int Sec Aug 31	140.60	141.25	-	10.27
Deposit Fund: See Money Market Trust Funds.				
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	165.5	167.4	-0.10	9.80
Charinco Acc	947.1	958.2	-0.70	9.80
Charishare Inc	164.9	168.6	+1.40	4.69
Charishare Acc	209.1	213.8	+1.70	4.69
CAFINVEST–Charities Aid Foundation				
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333				
Balanced Growth	57.92	59.86	-	4.18
Income	55.96	57.03	-	7.72
COIF–Charities Official Inv Fd‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Income Aug 31	469.49	470.13	-	6.32
Accum Aug 31	1784.46	1797.29	-	-
Fixed Int Income Aug 31	114.45	114.68	-	10.12
Fixed Int Accum Aug 30	142.96	143.24	-	-

[illegible]

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

JERSEY (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Unrelieved pressure on dollar

THE DOLLAR lost more than a pfennig against the D-Mark yesterday, as investors became nervous about the release of tomorrow's non-farm payroll figure in the US, *writes James Blitz*.

The market seems convinced that the August figure, which is regarded by many as the most important indicator of the state of the US economy, will be weak. Mr Jim O' Neill, head of research at Swiss Banking Corporation in London, believes that it will register a monthly drop of 110,000. But it is a very difficult figure to predict, because of the impact of the US summer jobs programme on the data.

A particularly poor figure could be followed by a cut in the Federal Reserve's discount rate, widening the differential between US and German rates, and forcing the dollar down further. In anticipation of this, the dollar closed in Europe at DM1.4135, after hitting a low of DM1.4040. Several London-based dealers said that the dollar was being sold by major institutional players, as well as the banks.

The dollar will probably be supported tomorrow if the Bundesbank delivers another cut in short-term interest rates at its council meeting. The arguments against a cut seem strong, but they are being ignored by many in the market. "Nearly half the dealers believe that there will be a cut in rates," said one analyst yesterday, "and if there isn't, there will be intense disappointment."

In this atmosphere, the weaker European currencies suffered. There was another run on the Italian lira in Europe, with the currency losing 5.8 per cent of its value against the D-Mark as it touched L900. It later closed at L876. Fears of the imposition of a deposits tax by the Bank of Italy triggered the currency's decline. According to several analysts, the sellers were Italian depositors not international banks.

The lira's fall undermined sterling, as investors recalled that the last heavy fall on the lira was the curtain-raiser to "Black Wednesday." Sterling touched a historic low of DM2.50 in Europe, but later rebounded to close at DM2.5175.

The currency's fate is in the hands of the German and American central banks tomorrow. If their interest rate differential widens, Mr O'Neill expects the pound to visit DM1.45. The UK's foreign reserves figure, due out tomorrow, could also be market-sensitive, with forecasts of the drop in reserves ranging between $3bn and $18bn because of uncertainty over the extent of the Bank of England's recent intervention.

The French franc closed at FFr3.384 to the D-Mark from a previous FFr3.3810. Speculators have lost money as the franc escapes the peril of devaluation, and another assault on the currency is unlikely.

£ IN NEW YORK

Sep.30	Close	Previous Close
£ Spot	1.7845-1.7855	1.7860-1.7870
1 month	0.92-0.90pm	0.94-0.92pm
3 months	2.58-2.56pm	2.55-2.52pm
12 months	8.40-8.30pm	8.23-8.13pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.30	Previous
8.30 am	83.8	82.9
9.00 am	83.7	83.0
10.00 am	83.7	83.0
11.00 am	83.6	83.2
Noon	83.7	83.1
1.00 pm	83.7	83.3
2.00 pm	83.5	83.4
3.00 pm	83.5	83.7
4.00 pm	83.7	83.7

CURRENCY MOVEMENTS

Sep 30	Bank of England Index	Morgan** Guaranty Changes %
Sterling	83.7	-27.4
U.S Dollar	60.1	-18.0
Canadian Dollar	93.6	-7.9
Austrian Schilling	114.6	+15.0
Belgian Franc	116.5	+1.3
Danish Krone	115.1	+7.7
D-Mark	126.4	+30.7
Swiss Franc	117.2	+24.3
Dutch Guilder	120.2	+20.5
French Franc	110.9	-7.5
Lira	87.9	-26.6

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 30	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.6118	-3.20	2.76	44
Dutch Guilder	2.29193	2.22030	-3.13	2.68	41
D-Mark	2.83412	1.97117	-3.09	2.64	52
French Franc	6.82216	6.66145	-2.36	1.87	4
Danish Krone	7.75901	7.63446	-1.61	1.09	-31
Irish Punt	0.759300	0.750078	-1.21	0.69	-48
Portuguese Escudo	176.844	175.448	-0.79	0.26	-3
Spanish Peseta	139.176	138.434	-0.53	0.00	-7

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.69-4.64pm. 12 Month 8.36-8.26pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY RATES

OTHER CURRENCIES

*Floating rate. Iran Official rate £119.55 $63.30
Correction for 29.09 92 AS-Sterling 2.4700-2.4720

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Sep.30	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	…	Ecu
£	1	1.782	2.518	213.8	8.520	2.200	2.838	…	1.285
$	0.561	1	1.413	120.0	4.781	1.235	1.593	…	0.721
DM	0.397	0.708	1	84.91	3.384	0.874	1.127	…	0.510
YEN	4.677	8.335	11.78	1000.	39.85	10.29	13.27	…	6.010
F Fr.	1.174	2.092	2.955	250.9	10.	2.582	3.331	…	1.508
S Fr.	0.455	0.810	1.145	97.18	3.873	1	1.290	…	0.584
N Fl.	0.352	0.628	0.887	75.33	3.002	0.775	1	…	0.453
Lira	0.453	0.807	1.141	96.87	3.860	0.997	1.286	…	0.582
C$	0.450	0.802	1.133	96.18	3.833	0.990	1.277	…	0.578
B Fr.	1.923	3.427	4.842	411.2	16.38	4.231	5.458	…	2.471
Pta	0.566	1.008	1.425	121.0	4.822	1.245	1.606	…	0.727
Ecu	0.778	1.387	1.960	166.4	6.630	1.712	2.209	…	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

THREE MONTH EUROLIRA INT. RATE
LIRA 1,000m points of 100%

	Close	High	Low	Prev.
Dec	85.34	85.49	84.50	85.50
Mar	86.52	86.70	86.20	86.72
Jun	86.82			87.00
Sep	87.02			87.25

Estimated volume 1925 (1036)
Previous day's open int. 15699 (15644)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Dec	2617.0	2630.0	2586.0	2626.0
Mar	2648.0	2635.0	2635.0	2657.0
Jun	2673.5	2660.0	2660.0	2685.0

Estimated volume 9085 (13146)
Previous day's open int. 47191 (45406)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7815	1.7723	1.7558	1.7348	1.6984

BASE LENDING RATES

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rates close firmer

ACTIVITY in both the sterling cash and futures markets was thin yesterday, even though the currency fell to a new low of DM2.50 against the D-Mark in the day's trading.

In the absence of any clearly formulated UK government policy, sterling seems fundamentally weak. But the money markets are still being buffeted by different indications on whether another base rate cut is in the offing.

UK clearing bank base lending rate 9 per cent from September 22, 1992

On Tuesday, the Governor of the Bank of England suggested that sterling would have to retain some kind of exchange rate target, implying that the Chancellor could not cut rates with impunity. Mr Lothar Müller, a Bundesbank Council member, also suggested that there would not be another cut in German rates for another six months. Both statements would have made dealers bearish about the prospects for another UK base rate cut.

Others cling to the view that there could be base rate cut at next week's conservative conference to boost the standing of the government in general. "I think it would be wrong to rule out a cut," said one discount house dealer.

One argument in favour of a cut is the continuing presure in the European exchange rate mechanism. Although the French franc was still comfortably hovering at around FFr3.38 against the D-Mark yesterday, well above its floor, the French government is still unable to meet the commitment it made to cut French rates if France voted Yes to the Maastricht treaty in its referendum.

December French franc futures yesterday tumbled from 90.90 to a low of 90.37, reflecting fears that the currency may yet weaken. This may put more pressure on the Bundesbank to cut rates tomorrow.

In the sterling cash market, 3-month money closed at 9¼ per cent on the offered side, ⅛ per cent up on the previous close. One-month money remained unchanged at 9¼ per cent offered. In the futures, December sterling closed unchanged at 91.78.

The Bank of England forecast a shortage of £900m at the start of its operations. In early operations, it bought £500m of Band 1 bank bills at 8⅞ per cent and 210m in a repurchase agreement at 8$\frac{15}{16}$ per cent. The forecast was then revised to £700m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.30) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3⅜	bid 3⅜	offer 3½

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

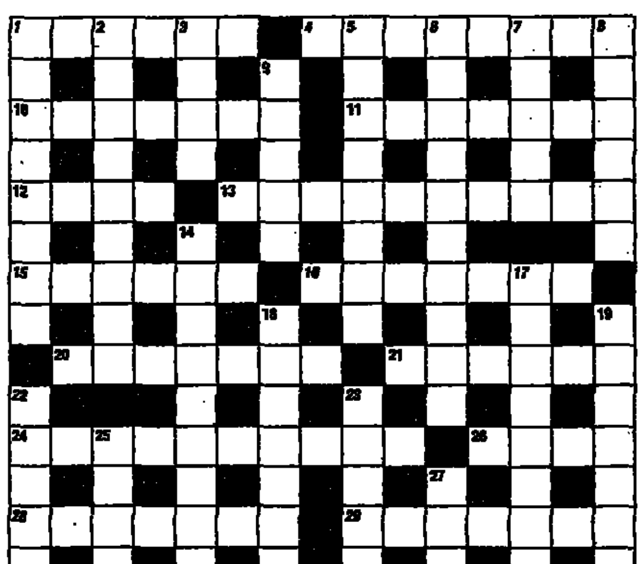
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,965 Set by HIGHLANDER



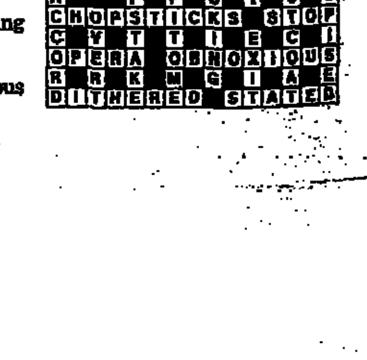
ACROSS

1 Consequences of collision (6)
4 Reportedly worn out by regular journey to pickling plant (8)
10 One who attempts to grab Queen's dog (7)
11 He tries to lure bat out with spider (7)
12 Catch dropped from open glove (4)
13 Look smaller despite everything (10)
15 Fat and lofty, with pained expression (6)
16 French wine: swallows it before 12 as aid to metabolism (7)
20 Turn north after college for Shape (7)
21 Tried to change on second step (6)
24 Ballet teachers' group takes the biscuit (10)
26 Dried up, old, halfway to peace of mind (4)
28 He works hard, taking Greek subsequently (7)
29 Outdoor broadcast follows golf championship (4-3)
30 Headless poet has scope to make an entrance (8)
31 Group that's on the attack (6)

DOWN

1 Private hospital resident holds it upside down (8)
2 Case for state papers using left-hand side on sheet (5)
3 *Firm taking in money* (4)
5 Community still in rapturous state (8)
6 After a second, do obtain insurance (5-5)
7 Weight becomes apparent in no uncertain manner (5)
8 Wipe the floor with most of the foolhardy (6)
9 Prescribe book for class (5)
14 City power smashed resistance to advertising specialist (10)
17 Travelling about on one can represent a rent (9)
18 Music performed by agreement with leader of orchestra (8)
19 Catches again last of line to run through (8)
22 Variations are the problem in a gem that's flawed (6)
23 State descended on criminal (5)
25 Food and drink, when provided in small measure (5)
27 S. American money shows heads of Peru and Ecuador this way (4)

Solution to Puzzle No.7,964



WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | NETHERLANDS | NETHERLANDS (continued) | NORWAY | SPAIN | SWEDEN | SWEDEN (continued) | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | MALAYSIA | SINGAPORE

[illegible]

CANADA

TORONTO

4 pm close September 30

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close September 30

[illegible]

Total Sales 16,984,300 shares

INDICES

NEW YORK

DOW JONES	Sep 30	Sep 29	Sep 28	Sep 25	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3271.66	3266.80	3276.26	3250.32	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.91	102.98	102.93	102.64	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1276.57	1287.65	1284.62	1273.34	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.58	219.83	220.96	219.08	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3291.66 (3295.98) Low 3247.89 (3247.08) (Theoretical♠)
Day's High 3276.80 (3280.04) Low 3264.64 (3259.24) (Actual♠)

STANDARD AND POOR'S	Sep 30	Sep 29	Sep 28	Sep 25	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417.80	416.80	416.62	414.35	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	490.49	489.96	489.99	487.23	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	36.01	35.63	35.54	35.46	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	229.46	228.90	228.70	227.73	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	376.72	375.61	377.25	378.49	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	583.27	577.63	575.34	577.20	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Sep 25	Sep 18	Sep 11	year ago (approx.)
Dow Industrial Div. Yield	3.19	3.10	3.12	3.08

	Sep 23	Sep 16	Sep 9	year ago (approx.)
S & P Industrial div. yield	2.68	2.63	2.64	2.73
S & P Indl P/E ratio	27.57	27.77	27.46	21.15

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Compuervis	3,452,200	6¼	- 3
IBM	3,006,400	80¾	- ¼
Sears Roe	2,752,600	44¾	...
Globas Mar	2,549,800	2⅞	+ ⅛
Telefonos	2,535,400	44¼	+ ⅜
Merck	2,180,700	44½	+ ½
Chrysler	2,030,200	23	+ ⅝
Comw Edison	1,721,500	22⅞	- ⅜
Gen Motors	1,689,700	32¼	+ ¼
RJR Nabisco	1,640,300	9	+ ⅛

TRADING ACTIVITY

† Volume Millions	Sep 30	Sep 29	Sep 28
New York SE	184.220	170.360	157.480
Amex	11.623	9.435	7.470
NASDAQ	(u)	158.855	124.359
NYSE			
Issues Traded	2,332	2,312	2,304
Rises	1,030	866	909
Falls	691	813	788
Unchanged	611	633	607
New Highs	57	41	25
New Lows	34	39	46

CANADA TORONTO	Sep 30	Sep 29	Sep 28	Sep 25	1992 HIGH	1992 LOW
Metals & Minerals	2830.96	2841.07	2884.10	2895.67	3238.87 (16/1)	2828.26 (8/4)
Composite	3297.88	3327.24	3367.99	3385.49	3666.00 (16/1)	3297.88 (30/9)
MONTREAL Portfolio	1699.56	1719.48	1738.26	1750.97	1937.59 (16/1)	1699.56 (30/9)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Sep 30	Sep 29	Sep 28	Sep 25	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1485.8	1487.7†	1496.5	1496.4	1684.50 (22/5)	1478.90 (9/9)
All Mining (1/1/80)	660.4	665.2	669.5	664.7	726.80 (3/7)	652.40 (9/9)
AUSTRIA						
Credit Aktien (30/12/84)	326.64	332.85	334.33	337.68	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	795.56	812.46	817.12	828.13	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1109.17	1107.20	1109.10	1118.06	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	(u)	262.57	263.54	266.28	365.29 (15/1)	262.57 (29/9)
FINLAND						
HEX General (28/12/90)	611.6	596.6	591.1	591.0	935.90 (24/2)	541.08 (7/9)
FRANCE						
CAC General (31/12/81)	463.14	468.62	481.13	487.29	555.93 (12/5)	462.23 (2/9)
CAC 40 (31/12/87)	1736.73	1731.93	1770.26	1843.53	2077.49 (11/5)	1667.72 (25/8)
GERMANY						
FAZ Aktien (31/12/58)	584.38	583.58	584.99	596.63	725.26 (26/5)	582.34 (26/8)
Commerzbank (1/12/53)	1647.10	1646.88	1650.60	1685.20	2043.80 (25/5)	1642.78 (26/8)
DAX (30/12/87)	1466.36	1476.26	1475.04	1513.36	1811.57 (25/5)	1466.36 (30/9)
HONG KONG						
Hang Seng Bank (31/7/64)	5505.44	5581.92	5597.20	5686.16	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1144.05	1161.20	1189.58	1220.69	1469.57 (17/1)	1144.05 (30/9)
ITALY						
Banca Com. Ital. (1972)	363.64	358.82	360.45	361.60	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	717.0	706.0	708.0	709.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17399.08	17748.09	17972.61	18394.76	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1310.60	1331.72	1349.09	1371.53	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1725.38	1732.16	1744.24	1748.10	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	602.28	605.93	610.65	602.60	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	(u)	291.9	291.9	294.1	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	(u)	196.8	196.8	198.3	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	589.08	584.38	571.98	581.30	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1404.54	1395.36	1386.47	1389.61	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	363.81	363.63	362.04	360.98	416.99 (21/1)	354.15 (19/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	902.0	896.0	903.0	914.0	1327.00 (21/1)	857.00 (10/9)
JSE Industrial (28/9/78)	4211.0	4196.0	4197.0	4201.0	4689.00 (4/6)	3973.00 (14/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	513.82	514.11	516.04	525.57	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	192.95	193.62	195.02	199.77	266.51 (28/2)	192.95 (30/9)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	696.60	654.10	672.4	697.9	1014.50 (11/5)	654.10 (29/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	844.1	847.6	847.5	863.0	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	638.4	640.3	640.2	649.4	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3524.21	3397.29	(c)	3472.50	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangkok SET (30/4/75)	847.00	850.52	849.07	859.17	871.37 (23/9)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	500.6*	501.8	501.3	502.5	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	814.59	812.67	817.26	842.63	976.55 (25/5)	793.32 (25/8)

**Saturday September 26: Taiwan Weighted Price: 3351.63, Korea Comp Ex. 524.23
‡ Subject to official recalculation. †-Correction. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, September 30 1992

	Stocks Traded	Closing Prices	Change on day
Mitsui Min & Sml	20.0m	510	+12
Nippon Mining	10.4	502	
Aishin Seiki	8.2m	960	+85
Nikken Chem	6.4m	1,030	+65
Seika Sangyo Co	5.3m	728	+23
Green Cross	5.0m	1,500	-90
Hazama Gumi	4.9m	675	+15
Minebea	4.4m	520	+20
Toshiba Corp	4.3m	554	-21
Takashimaya	3.7m	811	-33

Price data supplied by Telekurs.

4 pm close September 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
8⅜	5⅞	Battle Mt	0.10	1.6	36	748	6¼	6⅛	6⅛	-⅛
60¼	44½	Bausch Lmb	0.80	1.5	32	340	52	51⅞	51⅞	+¼
40½	31½	Baxter	0.86	2.6	15	8980	33	32⅝	32¾	-⅛
25⅝	20¾	Bay St Gas	1.38	5.4	16	107	25⅛	24⅞	25⅛	+⅛
25¼	21⅝	Bd Tr 1838	1.82	7.3		17	24⅞	24⅞	24⅞	
19¾	14⅞	Bear Strns	0.60	3.8	52	164	15¾	15½	15⅝	-⅛
48¼	43⅞	BearStPfA	3.25	7.2		z100	45¼	45¼	45¼	
23¼	16¾	Bearings	0.64	3.7	72	345	17½	17¼	17⅜	+⅛
29⅝	17⅝	Beckman In	0.32	1.4	15	376	22⅜	22⅛	22¼	+⅛
78⅝	64⅜	Becton Dks	1.20	1.6	15	486	75¾	75	75⅛	+⅛
37½	25⅞	Belding Hy	0.64	2.1	22	120	31⅛	31	31	-⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
8 1/8	2 7/8	Salant Grp			9	60	6 1/4	5 7/8	6 1/2	+5/8
76	57 1/4	Sallie Mae	1.00	1.4		1340	72 3/4	70 3/4	72 3/4	+1 7/8
14 1/4	10	Salomon Br.	0.60	4.2		238	14 1/8	13 7/8	14 1/8	+1/8
37 7/8	26 3/4	Salomonbc x	0.64	1.7	1	12280	u37 7/8	36 3/4	37 5/8	+1/8
25	21 1/4	SanDgo G&E	1.44	5.9	14	283	24 1/2	24 1/4	24 1/2	
4 7/8	2 1/4	SntaFeEDv r	0.40	9.4	47	36	4 1/4	4 1/8	4 1/4	+1/4
9 3/8	7	SantaFeEr x	0.16	1.7	207	1268	9 1/2	9 3/8	9 1/2	
39 3/4	30 3/4	SantaFePac	2.80	7.2	11	140	39 3/4	38 3/4	39 1/8	+1/2
14 1/8	10 7/8	SantaFeSth	0.10	0.8	13	11958	12 1/4	11 7/8	12	+1/8
58 1/2	46 5/8	Sara Lee	1.00	1.7	18	3598	u59 1/2	57 3/4	58 1/8	+1/4
9 1/2	1 1/4	Savin			0	4	1 5/8	1 1/2	1 1/2	
44 1/4	38 5/8	Scana Corp	2.68	6.2	14	120	43	42 7/8	43	
47 7/8	40 1/4	Scecorp	2.80	6.2	13	5695	45 1/2	44 7/8	45 1/4	+1/8
68	49 7/8	SchéringPl	1.56	2.8	17	4193	57 1/8	56 1/4	56 5/8	+1/2
89 7/8	52 3/4	Sch'berger	1.20	1.8	19	3368	68 1/8	67 1/2	67 7/8	+1/4
37 3/4	17 1/8	Schwab(C)	0.24	1.3	9	1834	18	d16 3/4	18	+7/8
10 1/8	4 7/8	Schwitzer			46	60	5 1/4	5 1/8	5	
29 7/8	15 1/4	ScientAtln	0.16	0.8	40	987	28 1/8	27 7/8	28 1/8	+1/8
10 5/8	7 1/8	Scotmen x	0.10	1.1	109	99	8 7/8	8 3/4	8 3/4	-1/8
46	34 1/2	ScottPaper	0.80	2.1	19	691	38 7/8	38 5/8	38 7/8	
17 1/2	13 5/8	ScuddrNAsF	0.22	1.6		71	14 5/8	14 1/4	14 1/4	-1/8
9 3/4	8 5/8	ScuddrNEuF	0.38	3.4		78	8 7/8	8 3/4	8 7/8	
24	15	Sea Contre	0.20	1.4	8	78	15	d14 1/2	14 5/8	-5/8
15 3/4	14 7/8	SeaC1.4625	1.46	9.5		23	u15 3/4	15 1/4	15 3/8	-1/8
31	26 7/8	Seagram Co	0.56	2.0	14	2411	28	27 1/2	27 5/8	-1/2
32	21 5/8	Seaquill En			108	1226	31	30 5/8	30 7/8	+1/4

14 1/8	12	Zweig Fund	1.14	8.9		519	12 7/8	12 3/4	12 3/4
11	9 1/2	Zweig Total	0.96	9.4		1642	10 1/2	10 1/4	10 1/4

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months. estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close September 30

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	21	9	11 7/8	11 5/8	11 7/8	+1/8
Pet Ht&P	1.14	13	60	16 7/8	16 5/8	16 7/8	+1/2
Phil LD	0.26	16	149	39 1/2	39	39 1/4	+1/8
Pittway A	1.10	16	61	30 1/8	30	30	+1/8
Ply Gem	0.12	22	47	10 1/4	10 1/8	10 1/8	
PMC x	0.88	14	189	10 5/8	10 1/2	10 5/8	
PresidioA	0.10	1	124	1 3/8	d1 1/4	1 3/8	
Price Com		0	50	3/32	3/32	3/32	+1/32
RB&W Cp		2	12	4 3/8	4 1/4	4 1/4	-1/8

NASDAQ NATIONAL MARKET

4 pm close September 30

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Warrntech		29	139	2 1/2	2 3/8	2 3/8	
WashMutSB	0.52	9	1365	26	25 1/4	26	+1/4
WatEnergy	1.40	29	520	22 1/2	22	22 1/2	
WashFedSL	0.80	10	587	26	24 3/4	26	+1 1/4
WattsIndA	0.28	18	45	49	47 1/2	49	+1
Wausau PM	0.34	12	424	34	32 1/4	33	-1/8
WD-40	1.80	17	190	41 1/2	40	41 1/4	+1/2
Weitek		2	66	3 3/8	3 1/8	3 1/4	
West One x	1.04	12	32	41 1/2	41	41	-1/8
WstnPubl		24	4357	u21 1/2	20 1/2	21 1/8	+5/8
Wet SealA		23	44	9	8 1/2	9	+1/8
Wetterau	0.68	13	1915	30	29 7/8	29 7/8	-1/8
Willmette	0.84	22	1262	34 1/4	33 1/2	34 1/4	+5/8
WmsSonoma		82	235	13	12 1/4	12 1/8	-5/8
Wiser Oil	0.40	554	18	16 5/8	16 1/4	16 5/8	
Wolohan L	0.28	16	5	22 1/4	21 1/2	22 1/4	+1/4
Wolv Expl		0	14	1/32	1/32	1/32	-1/32
WrExWRSA			100	1/16	d1/32	1/32	
Wthington	0.48	19	1458	19	d18 1/4	18 7/8	-1/8
WPP Group	1.11	1	2486	1 3/16	d1 1/16	1 1/16	-1/16
Wyman-Gdn	0.40	4	176	5 1/8	4 7/8	4 7/8	

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		19	15684	18 1/2	d16 1/4	17 1/4	-1/4
Xoma Corp		5	2431	10 1/4	d9 1/2	9 1/2	-1/4
Yellow Fr	0.94	21	4395	24 5/8	23 5/8	24 5/8	+1/8
York Rsch		7	5268	7 3/16	6 13/16	7 1/8	
ZionsUtah	1.44	11	114	u60 1/2	59	60	+1/4

AMERICA

Dow becalmed ahead of September jobs report

Wall Street

APART from some end-of-quarter "window-dressing" by institutional investors, US stock markets were becalmed yesterday as investors anxiously awaited tomorrow's vital employment report for September, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up just 4.86 at 3,271.66, having spent the entire day no more than 10 points either side of Tuesday's close. The more broadly based Standard&Poor's 500 finished slightly firmer, up 1.00 at 417.80, and the Amex composite rose 1.11 to 376.72. The Nasdaq composite was the day's best performer, rising 5.64 to 583.27. Turnover on the NYSE was 185m shares.

September's employment figures, due out tomorrow morning, dominated trading. Investors and analysts are unsure whether a particularly bad jobs report will provoke the Federal Reserve into cutting interest rates once more, to stimulate the sluggish economy.

Analysts say that prices did not move up in anticipation of a policy ease this week, for two reasons: investors were not confident that the Fed would ease if the numbers were bad; and even if the report showed further deterioration in labour market conditions, expectations of economic growth and corporate earnings for the rest of the year would have to be revised downward quickly.

The day's economic news had little impact on sentiment. The Chicago purchasers' index for September rose slightly, but new home sales showed a sharper-than-expected decline of 6.1 per cent in August.

Among individual stocks, Times Mirror fell $¾ to $30½ after Smith Barney, the broking house, downgraded the stock to a "hold" from a "buy", citing continued weakness in the Los Angeles area economy. On Tuesday the company warned that August advertising revenues fell by 5.6 per cent from a year ago.

Another stock hit by a Smith Barney downgrade was Morgan Stanley, the securities house, which fell $⅛ to $48 after Ms Alison Deans, the Smith Barney analyst, lowered her fiscal year 1993 forecasts for Morgan Stanley because of lower international business.

Computervision fell $3⅛ to $6⅛ in turnover of almost 3m shares after the company warned that third-quarter operating profits will be lower than a year ago, adversely affecting full-year 1992 results.

On the Nasdaq market, Gensia Pharmaceutical fell $1¼ to $20½ on news that shareholders are suing the company for alleged securities law violations relating to the testing of its Arasine drug.

Canada

TORONTO stocks continued downwards as the main Canadian banks raised prime rates by two points to 8.25%.

The TSE 300 composite index dropped 29.36 to 3,297.88 in volume of 30.35m shares worth C$363.2m. Investors fear the trend will continue if the Canadian dollar keeps falling.

Brazil sober after Tuesday vote

The Sao Paulo Stock Exchange (Bovespa) index responded soberly to Tuesday's vote for impeachment proceedings against President Fernando Collor de Mello, *writes Bill Hinchberger*. The Bovespa index fell 822, or 1.8 per cent, to 44,494 after Tuesday's anticipatory 7.7 per cent gain. Turnover was about $88m.

Traders said that the reaction partly reflected profit-taking. Analysts also believe that the market is waiting for the interim president, vice-president Itamar Franco, to determine his economic team.

"Until the new finance minister is named, everyone is waiting to see which policies will be adopted," said Mr Roberto Serwaczak, research director with the local branch of Baring Securities.

Some investors are worried that Mr Franco's nationalist reputation will be reflected in a slow down of the modernisation scheme started under Mr Collor. But they add that improved relations between the executive and legislative branches could help bring about much needed fiscal reform.

ASIA PACIFIC

Tokyo extends losses to a fourth consecutive session

Tokyo

THE NIKKEI average fell for the fourth consecutive day on the lack of window dressing for the September interim book-closing, *writes Emiko Terazono in Tokyo.*

The index shed 349.01 to 17,399.08, having seen the day's high of 17,909.71 in the morning session on buying by investment trusts, before extending its losing streak on late selling, and falling to the day's low of 17,398.98 just before the close.

Volume remained thin at 260m shares against 231m. Losers led gainers by 693 to 243, with 161 unchanged. The Topix index of all first section stocks fell 21.12 to 1,310.60 and in London the ISE/Nikkei 50 index fell 1.85 to 1040.91.

Buying by public postal insurance funds, and other public funds, advocated by the government's emergency fiscal package in August, was seen yesterday. However, this buying remained light.

The Tokyo Stock Exchange announced that daily average trading volume and turnover grew to a year's high in September. Daily volume averaged some 390m shares, the largest since the same time last year when volume was 482m shares. Daily turnover averaged Y342bn, the biggest since Y430bn in October 1991.

High-technology issues declined on worries over the higher yen. The currency closed at Y119.25 against the dollar, a new all-time high. NEC fell Y16 to Y697 and Matsushita Electric Industrial lost Y40 to Y1,070. Banks were lower on profit-taking. Industrial Bank of Japan fell Y130 to Y2,440 and Mitsubishi Bank fell Y130 to Y2,020.

Mitsui Mining & Smelting, the most active issue of the day, rose Y12 to Y510 on speculative trading. Aisin Seiki, a car parts maker, rose Y85 to Y980 on rumours of a successful nuclear fusion experiment.

In Osaka, the OSE average declined 134.12 to 19,017.60 in volume of 25.5m shares.

World Index Prices

With effect from today, the prices of European (except the UK) and South African stocks used for calculation of the FT-Actuaries World Indices will be those supplied by Telekurs and shown on the opposite page.

Roundup

SENTIMENT was mixed in the region yesterday.

HONG KONG closed weaker for the third consecutive day, the Hang Seng index losing 74.48 to 5,505.44, 3.2 per cent below last Friday's close. Turnover rose from HK$1.78bn to HK$2.00bn and brokers said that all sectors came under selling pressure except for banks and utilities.

AUSTRALIA saw trade swollen by an A$55m portfolio put through by BZW, but anticipated gyrations on futures failed to materialise and the All Ordinaries index closed 2.7 down at 1485.0.

BANGKOK fell as investors worried about a meeting between Stock Exchange of Thailand officials and brokers to discuss price manipulation. The SET index closed 3.52 lower at 847.00 in turnover of Bt10.74bn.

TAIWAN closed sharply higher after technical buying of blue chips by institutional investors and brokerages helped to improve sentiment. The weighted index rose 126.92, or 3.7 per cent, to 3,524.21 in turnover of T$15.7bn against T$10.8bn.

MANILA rose in active trade for the second day in a row, the composite index ending 9.18 higher at 1,404.54 as blue chips, led by the telephone stock PLDT and oil issues, lifted the market.

Brokers said that bullish sentiment was partly due to reports that the authorities had broken a syndicate linked to kidnappings in the capital.

BOMBAY took a cue from the state-owned mutual fund, Unit Trust of India, which started buying on Tuesday, and the BSE index rose 98.67 to 3,294.42.

EUROPE

Paris financials consider recovery potential

END-of-quarter operations moved bourses, and individual shares yesterday, *writes Our Markets Staff.*

PARIS was driven by technical factors throughout the day as the September options expired. In the last hour, the start of October futures pulled up the CAC-40 index, which closed 4.80 better at 1,736.73 in turnover of FFr3.8bn.

Arbitrage-related activity affected the performance of most stocks while the financial sector was affected further by disappointing first half results as Suez, down FFr3.30 at FFr236.20, and Paribas, eventually FFr9.20 higher at FFr322.50, both said that they would have to make large provisions against exposure to the property sector.

The Suez and Paribas warnings are only the latest in a series, following an increase in commercial property vacancy rates. However, Mr William Vincent, European banking analyst at Nomura, commented that the provisions were likely to peak in 1992, assuming that the economic climate did not deteriorate, which would lead to a good year for earnings in 1993.

In the case of Compagnie Bancaire (up FFr15 at FFr350), which also reported interims recently, he noted that "next year the combination of continued steady revenue growth, strict cost control and a fairly modest fall in provisions will result in a sharp recovery."

Other active issues of the day included Peugeot, up FFr15 at FFr540, and BSN, down FFr9 at FFr989 as an extraordinary general meeting approved limits on voting rights.

FT-SE Eurotrack 100 - Sep 30							
Hourly changes							
Open	11.30am	12 pm	1 pm	2 pm	3 pm	4 pm	close
1004.87	1004.91	1004.75	1003.23	1002.90	1002.21	1003.13	1003.44
Day's High 1005.73				Day's Low 1000.95			
Sep 29	Sep 28	Sep 25	Sep 24	Sep 23			
1009.98	1016.40	1035.63	1041.31	1043.77			

Base value 1000 (26/10/90).

FRANKFURT surrendered early gains on gloomy economic data, earnings downgrades and foreign selling. The DAX index, up 12 points at the outset, dropped 9.90 to a new 1992 closing low of 1,466.36.

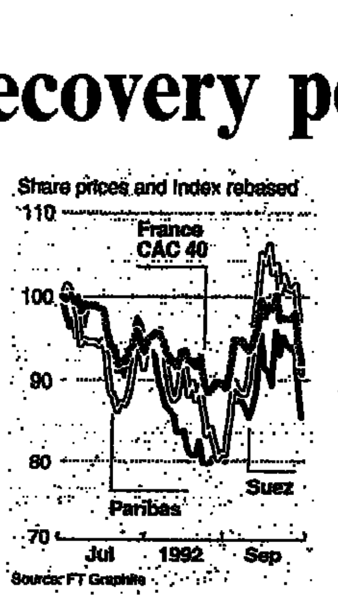
Turnover rose to DM4.8bn from DM4.2bn. A German inflation figure of 3.6 per cent for September snuffed out any lingering interest rate hopes; in addition, the federation of German retailers said that west German retail sales dropped by 3.1 per cent during the first seven months of this year.

At County NatWest, Mr Adrian Hopkinson noted that German holiday bookings abroad were up 20 per cent this summer, and that consumption was unlikely to flow in two directions at the same time. Shares in the sector fell in tandem, with Kaufhof down DM8 to DM412 and Karstadt by DM9 to DM478.

Carmakers continued their downtrend on the weak dollar and the truckbuilder, MAN, dropped DM9.50 to DM250. County, starting from a conservative base has recently dropped its 1993 eps forecast for MAN from DM26 to DM22.

Meanwhile, in utilities, an apparently defensive sector, Bayernhypo put out deeper downgrades for RWE and Veba, which fell DM6 to DM376.50, and DM4.50 to DM356.50 respectively.

ZURICH, mixed as the weak dollar dampened sentiment, saw the SMI index shed 1.9 to 1,878.3. The consumer electronics group, Interdiscount, topped the active list and ranged between SFr1,500 and SFr1,640, on apparently conflicting bets on today's annual news conference, before closing SFr20 higher at SFr1,600.



MILAN, once again, tasted the bitter-sweet fruits of devaluation. The Comit index rose 4.82, or 1.3 per cent to 363.64 but the Italian component of the FT-SE Eurotrack 100 index, expressed in D-Mark terms, fell by 24.71, or 3.9 per cent to 604.43.

BRUSSELS reflected late arbitrage activity in Electrabel, between ordinary and tax-efficient Afv stock which rose 0.1 per cent, and 1.7 per cent (for the Afv 1) to BFr4,790 as the Bel-20 index closed just 1.97 higher at 1,109.17.

However, there were more steel industry problems as Cockerill dropped 4.5 per cent to BFr128 in active trade. The industry leader reported a 58 per cent drop in profits after the market closed.

AMSTERDAM resisted steep falls as the CBS Tendency index closed 0.1 down at 110.9. Philips lost 70 cents to Fl 32.70 while Polygram was 20 cents lower at Fl 47.00. James Capel downgraded the Polygram stock yesterday to short-term sell from hold, expecting profits growth to slow down further over the second half.

COPENHAGEN saw Baltica rise DKr26 to DKr215, *writes Hilary Barnes*, following statements by the chief executive officer, Mr Peter Christoffersen, to local newspapers explaining why, in his view, the insurance group's problems cannot end in the same kind of free-fall that wiped out Hafnia. The KFX index of most-traded shares rose 0.84 to 73.61.

VIENNA lost 2 per cent in low volume, on selling pressure from the futures and options exchange. The ATX index closed 16.90 lower at 795.56.

TEL AVIV closed at a new high in active trading. The index rose 2.15 or 1.28 per cent to 170.23 in turnover of Sk1101m.

Late rally ends dismal month in Sweden

Christopher Brown-Humes on a rates cut boost to equities hit from home and abroad

THE Swedish stock market rallied 6.5 per cent yesterday after a reduction in domestic interest rates and an announcement of new measures to improve the country's industrial competitiveness.

The rise, which saw the Affärsvärlden general index close up 42.5 at 696.6, was a welcome boost for a market which has had its worst year since the 1930s.

Until yesterday, the index had fallen 28 per cent since the start of the year, and 35 per cent since its peak in May. September was a particularly dismal month because of financial turbulence in Europe and soaring interest rates at home.

All sectors have been down. By far the worst performers have been the bank/finance and real estate/construction sectors, both of which had declined more than 70 per cent since the start of the year before yesterday's rally. Since September 8, when interest rates were first pushed up sharply after the effective devaluation of the Finnish markka, the bank sector had fallen by 30 per cent. Yesterday the sector improved by more than 12 per cent.

Crisis measures to reduce the growing budget deficit, announced by the minority centre-right government and opposition Social Democrats on September 20, have done nothing to improve confidence. The market remains preoccupied by international and domestic concerns.

The single most depressing influence is the level of the central bank's marginal overnight lending rate which looks set to remain at high levels for some time. The rate climbed as high as 500 per cent last month as part of a determined (and so far successful) government effort to stave off devaluation.

Yesterday it was reduced to 24 per cent from 40 per cent after a series of new measures to calm the markets was announced. One important effect of such high rates has been to make high-yielding fixed-rate securities seem much more attractive and less risky than equity investments.

In recent days, the glum mood has been exacerbated by pessimism about when the domestic business cycle will turn up. Two of the leading banks, Svenska Handelsbanken and S-E Banken, have predicted that Swedish gross national product will fall again in 1993, making it the third consecutive year of decline. The corporate sector has also been making gloomier predictions about the earnings outlook. "There is increasing concern about the overall business cycle, and worries that 1993 is going to be a tougher year than companies and investors had been expecting," says Mr Johan Strandberg, an analyst with the Stockholm-based Haeggloef and Ponsbach securities house.

There was still no sign of an upturn in either banking or construction until yesterday. The government has promised to put a safety net under the banking sector, although details are not yet clear. Meanwhile, the market is taking its cue from developments in the financial arena, such as the bankruptcy of the Swedish holding company Gota, the owner of Gota Bank.

A market revival might be more in prospect if international events were more encouraging. But sluggish economic growth, high interest rates in Germany, problems in other Scandanavian economies and volatile currency markets have not helped. mood.

Given this uncertainty both at home and abroad, few analysts will make firm predictions about where the market is heading. At the same time, the outside world is still a little hesitant about the tenacity of Sweden in pursuing its current economy policy and worries about a possible devaluation have not subsided completely.

Although there is a broad political consensus behind the measures the government is taking to restore confidence in the krona, many will want to see them implemented, and interest rates down, before they are confident enough to become significant buyers of equities again.

SOUTH AFRICA

JOHANNESBURG reversed recent falls as investors bought selected stocks to boost portfolios ahead of the month-end. Industrials closed 15 up at 4,211 and the overall index added 13 to 3,211. The gold index added 6 to finish at 902.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 30 1992								TUESDAY SEPTEMBER 29 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	124.14	−0.4	103.31	94.13	91.23	115.80	−0.1	4.22	124.70	104.48	94.31	92.32	115.95	153.68	124.14	153.54
Austria (19)	160.71	−0.7	133.75	121.86	118.11	118.06	−1.7	2.47	161.81	135.58	122.39	119.80	120.16	186.70	139.27	183.19
Belgium (42)	147.90	+1.3	123.08	112.13	108.69	106.50	+0.7	5.78	145.94	122.28	110.37	108.04	105.81	152.27	135.87	128.73
Canada (114)	117.10	−0.4	97.45	88.78	86.05	105.91	−1.0	3.34	117.62	98.55	88.96	87.08	107.02	142.12	117.10	135.98
Denmark (33)	208.42	+1.4	173.45	158.03	153.16	155.34	+0.7	1.84	205.46	172.15	155.40	152.11	154.25	273.94	196.78	258.97
Finland (15)	59.42	+5.1	49.45	45.05	43.67	55.74	+3.5	2.53	56.55	47.38	42.77	41.88	53.88	89.80	52.84	86.84
France (102)	160.79	+0.9	133.81	121.91	118.15	120.63	+0.3	3.73	159.29	133.47	120.47	117.92	120.31	168.75	148.06	144.66
Germany (64)	114.39	+0.8	95.20	86.75	84.06	84.06	+0.1	2.72	113.43	95.04	85.80	83.97	83.97	129.69	111.48	110.12
Hong Kong (53)	227.77	−1.6	189.55	172.70	167.39	225.84	−1.7	3.89	231.54	194.00	175.12	171.42	229.79	259.55	176.36	168.13
Ireland (16)	145.89	−0.2	121.41	110.62	107.21	110.70	−1.0	4.90	146.13	122.44	110.53	108.19	111.85	173.71	145.54	160.21
Italy (78)	51.44	−1.0	42.81	39.00	37.80	47.59	+1.6	4.38	51.96	43.54	39.30	38.47	46.85	80.86	49.25	74.11
Japan (473)	108.92	−2.0	90.64	82.58	80.05	82.58	−1.7	1.03	111.13	93.11	84.05	82.29	84.05	140.95	87.27	138.66
Malaysia (69)	250.08	+0.2	208.12	189.61	183.77	240.26	−0.2	2.72	249.68	209.20	188.83	184.84	240.69	250.85	212.49	198.04
Mexico (18)	1225.67	+2.4	1020.02	929.33	900.71	4162.29	+2.5	1.44	1196.48	1002.46	904.91	885.78	4062.45	1789.77	1185.84	1182.72
Netherland (25)	169.67	+0.6	141.20	128.65	124.69	123.32	+0.0	4.59	168.68	141.33	127.58	124.88	123.30	169.67	147.88	140.77
New Zealand (14)	40.73	−0.1	33.90	30.89	29.94	40.26	+0.0	5.49	40.79	34.18	30.85	30.20	40.29	48.52	40.73	47.43
Norway (22)	146.75	+2.4	122.13	111.27	107.84	114.43	+2.0	2.12	143.31	120.07	108.39	106.10	112.24	192.95	136.40	200.02
Singapore (38)	188.79	+0.7	157.11	143.15	138.73	138.39	+0.3	2.37	187.54	157.13	141.84	138.84	137.93	229.63	180.71	190.12
South Africa (61)	177.94	+1.1	148.09	134.92	130.76	157.15	+0.5	3.25	175.97	147.44	133.09	130.28	156.37	263.60	175.03	246.75
Spain (48)	119.59	+0.5	99.53	90.68	87.89	89.74	−0.1	5.62	119.03	99.73	90.03	88.12	89.86	161.72	115.94	155.11
Sweden (30)	165.37	+5.6	137.62	125.39	121.53	129.93	+4.7	3.17	156.62	131.23	118.46	115.96	124.05	200.28	156.39	189.33
Switzerland (60)	122.37	+0.6	101.84	92.79	89.94	93.73	−0.2	2.28	121.64	101.92	92.01	90.07	93.89	122.37	95.99	95.05
United Kingdom (228)	179.96	+0.2	149.76	136.43	132.23	148.76	−0.5	4.91	179.61	150.49	135.83	132.96	150.49	200.07	165.85	185.69
USA (522)	170.36	+0.3	141.77	129.18	125.20	170.36	+0.3	2.98	169.89	142.34	128.49	125.78	169.89	173.39	160.92	157.68
Europe (782)	144.53	+0.6	120.28	109.59	106.22	113.42	+0.0	4.16	143.70	120.40	108.68	106.39	113.40	156.88	138.52	144.11
Nordic (100)	153.34	+3.9	127.61	116.27	112.69	114.13	+3.1	2.63	147.59	123.66	111.63	109.26	110.68	188.52	147.25	187.34
Pacific Basin (715)	113.09	−1.8	94.11	85.75	83.11	87.72	−1.6	1.37	115.21	96.53	87.14	85.29	89.17	141.97	93.70	139.31
Euro – Pacific (1497)	125.81	−0.7	104.70	95.38	92.45	98.18	−0.9	2.67	126.73	106.18	95.84	93.82	99.05	145.21	113.80	141.56
North America (636)	167.05	+0.2	139.02	126.67	122.78	165.98	+0.2	3.00	166.63	139.61	126.04	123.39	165.61	170.49	158.70	156.27
Europe Ex. UK (554)	123.12	+0.9	102.46	93.37	90.50	93.41	+0.4	3.62	122.07	102.28	92.34	90.39	93.06	132.98	119.63	119.66
Pacific Ex. Japan (242)	154.02	−0.7	128.18	116.80	113.20	139.41	−0.7	3.78	155.15	130.00	117.37	114.88	140.43	175.31	149.00	145.70
World Ex. US (1690)	126.70	−0.7	105.44	96.07	93.11	100.10	−0.8	2.69	127.55	106.87	96.48	94.43	100.94	146.91	116.18	143.10
World Ex. UK (1984)	136.72	−0.3	113.78	103.67	100.48	118.63	−0.4	2.55	137.19	114.94	103.77	101.58	119.27	150.58	127.21	143.28
World Ex. So. Af. (2151)	140.29	−0.3	116.75	106.38	103.11	121.28	−0.4	2.80	140.71	117.90	106.43	104.18	121.75	153.05	130.04	146.30
World Ex. Japan (1739)	158.46	+0.3	131.88	120.16	116.47	144.20	+0.1	3.44	157.93	132.32	119.46	116.94	144.03	165.40	153.20	152.74
The World Index (2212)	140.46	−0.3	116.89	106.50	103.23	121.63	−0.4	2.81	140.88	118.02	106.54	104.29	122.09	153.70	130.98	146.95

Constituent change with effect 1/10/92: Deletion: Nippon Stainless Steel (Japan).